Dart & Kraft, Inc.

KRAFT

Tupperware

Breyers

Velveeta

HOBART CORPORATION

DURACELL

Miracle Whip

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Financial Highlights

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions, except per share)

	1983	1982	1981
Net sales	$ 9,714	$ 9,974	$10,211
Provision for taxes on income	$ 382	$ 307	$ 296
Per share	$ 6.94	$ 5.61	$ 5.43
Operating profit after tax	$ 463	$ 423	$ 378
Per share	$ 8.42	$ 7.74	$ 6.92
Translation and nonoperating items after taxes	$ (28)	$ (73)	$ (30)
Per share	$ (.50)	$ (1.34)	$ (.56)
Net income	$ 435	$ 350	$ 348
Per share	$ 7.92	$ 6.40	$ 6.36
Dividends to shareholders	$ 210	$ 197	$ 185
Per share of common stock	$ 3.84	$ 3.60	$ 3.40
Capital expenditures	$ 212	$ 336	$ 346
Depreciation	$ 171	$ 189	$ 198
Return on total capital	13.3%	11.1%	11.3%
Shareholders' equity	$ 2,923	$ 2,774	$ 2,718
Return on average equity	15.3%	12.8%	13.0%
Number of shareholders	74,443	78,808	83,393

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Earnings Per Share
Dollars

Return on Total Capital
Percent

To Our Shareholders:

In most ways, 1983 was a very satisfactory year for Dart & Kraft. Our largest business, Kraft, performed exceptionally well, despite the U.S. government's free cheese distribution program and rapidly fluctuating edible-oil prices. The profit improvement resulting from our restructuring of Hobart and of Kraft's European and Foodservice operations is ahead of schedule. Duracell had an excellent year in a rapidly expanding market and our Specialty Products businesses rebounded strongly in the economic recovery.

Significantly, the performance of our food, consumer and commercial products, and specialty products segments were all among the best in the industries in which they compete.

Only foreign currency translation and transaction losses of 50 cents per share, and a difficult domestic environment for dealer recruiting that affected Tupperware, prevented 1983 from being a truly outstanding year. In 1983, net income increased by 24 percent to $435.1 million, and earnings per share of $7.92 were $1.52 higher than 1982. There were, however, no nonoperating items compared with a net charge of $1.16 per share last year. Operating profit, which excludes foreign currency and nonoperating items, rose 9 percent to $8.42.

We have made considerable progress in the past three years in areas that we have identified as essential to our goal of improving shareholder value in Dart & Kraft.

First, our efforts to improve returns have led us to divest companies and withdraw from markets which had little growth potential or inherently low returns. In fact, we have divested businesses with aggregate net sales in excess of $800 million and net assets of more than $350 million, on which we were obtaining a pretax return of only 11 percent. We are working to improve the returns of certain other businesses which we believe can become excellent performers. Our internal pretax return on investment has improved from 26 percent in 1980 to 30 percent in 1983.

Our next objective has been to increase Dart & Kraft's rate of real growth which we define as increases in unit sales of existing products, line extensions and new products, as well as the acquisition of complementary product lines.

In the past two years, we have invested almost $80 million in such acquisitions, including the continental European battery business of British Ever Ready Ltd. at Duracell; the *Chambers* line of built-in oven and counter-top cooking units at Hobart's KitchenAid Division; the Churny Company, Inc., whose specialty cheese line opens new markets at Kraft; and the *Total Gym* line, which is West Bend's entry into home physical fitness equipment.

We are increasing investment in our businesses in other important ways. In 1984, advertising is expected to be up 35 percent over last year; research and development 15 percent; and capital expenditures 18 percent.

With respect to our third objective, improving the quality and depth of management throughout the company, in 1983 we recruited and promoted several highly qualified people to responsible positions. For example, Michael Allik, formerly a corporate senior vice president, was elected president of the Specialty Products Group, and a group vice president.

Dart & Kraft has generated a substantial amount of cash in recent years. Our operating units and staff departments have done an excellent job of managing the company's physical and financial assets. At year end, Dart & Kraft had $820 million in cash and temporary investments, an increase of $347 million in 1983. While some of these funds resulted from nonrecurring factors, the amount is no less substantial.

After careful consideration, we have determined that it is in the best interests of our shareholders to invest a portion of these funds in the repurchase of our own shares. Accordingly, the Board of Directors on March 1 authorized the repurchase of up to five million shares of Dart & Kraft common

Warren L. Batts *John M. Richman*

We have made considerable progress in areas that we have identified as essential to improving shareholder value in Dart & Kraft.

stock. These shares will become treasury shares to be used for general corporate purposes, including stock options and employee incentive plans.

We will continue to fund growth opportunities within our existing businesses and to acquire attractive complementary product lines. A major acquisition is another appropriate way to grow, provided it is available at a realistic price, and is compatible with our current mix of high-quality, primarily consumer-oriented businesses. Our cash generation and available borrowing is such that, even after the repurchase of five million shares, we could finance the acquisition of a business that would make a strong contribution to our long-term growth and improved returns.

As you know, Dart & Kraft's current dividend rate is $3.84 per share on an annual basis. Last year, the Board of Directors determined that in the future it would give consideration to dividend increases at its May meeting rather than in February as had been its practice. This allows for a more informed assessment of financial trends.

We look forward, confident that our businesses are solidly positioned within their industries. As new operating, strategic and financial issues present themselves, we will continue to address them with a view toward the long-term growth of Dart & Kraft and the best interests of our shareholders.

Sincerely,

John M. Richman
Chairman and
Chief Executive Officer

Warren L. Batts
President and
Chief Operating Officer

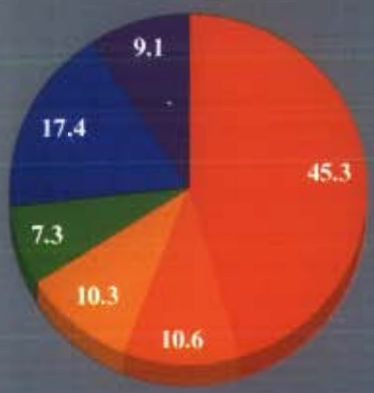
March 9, 1984

Dart & Kraft is Kraft

The Food Products segment accounted for 69 percent of Dart & Kraft sales in 1983 and 58 percent of operating profit. The segment is composed of Kraft, Inc.'s six U.S. and international units. Kraft products are sold in more than 130 countries. Operating profit rose 13 percent in 1983, while sales declined 5 percent primarily due to the withdrawal from certain fluid milk markets and the elimination of many low-margin products in Europe.

Food Products
Operating Profit
Millions of dollars

Food Products
Percent of total sales
- *Retail*
- *Dairy*
- *Foodservice*
- *Industrial Foods*
- *International*
- *Canada*



The U.S. Retail Food Group accounts for nearly half of Kraft's total sales. It produces and markets both dry and refrigerated grocery products under *Kraft* and other well-known trademarks such as: *Miracle Whip, Velveeta, Parkay, Casino, Cheez Whiz, Cracker Barrel* and *Philadelphia Brand.*

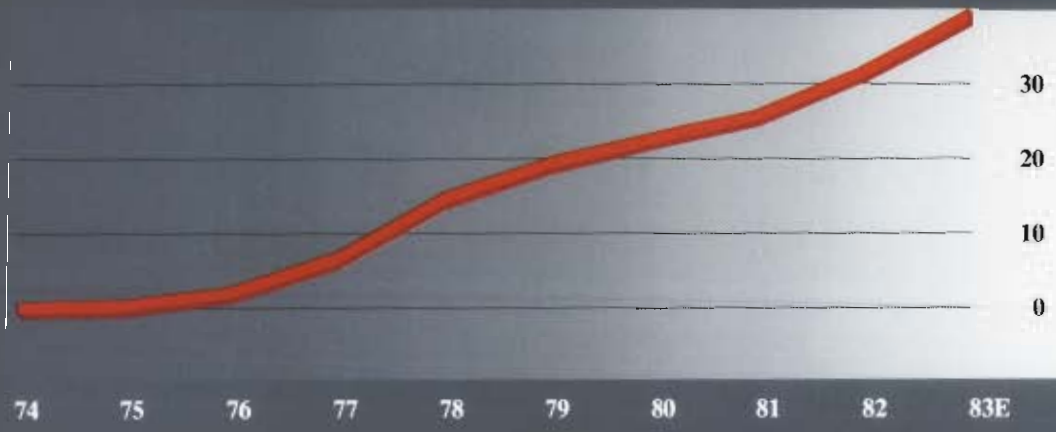
The Dairy Group provides Kraft's quality ice cream and cultured dairy products under the *Sealtest, Breyers, Breakstone's, Polar B'ar* and *Light n' Lively* labels. They are sold mainly in markets east of the Mississippi River.

The Foodservice Group was organized as a separate business in 1976 to increase efficiency and enhance Kraft's presence as a national supplier. The company's "Full-service Foodservice" offers over 800 *Kraft*-branded products, as well as several thousand quality items from other manufacturers, through a network of 25 metropolitan distribution centers.

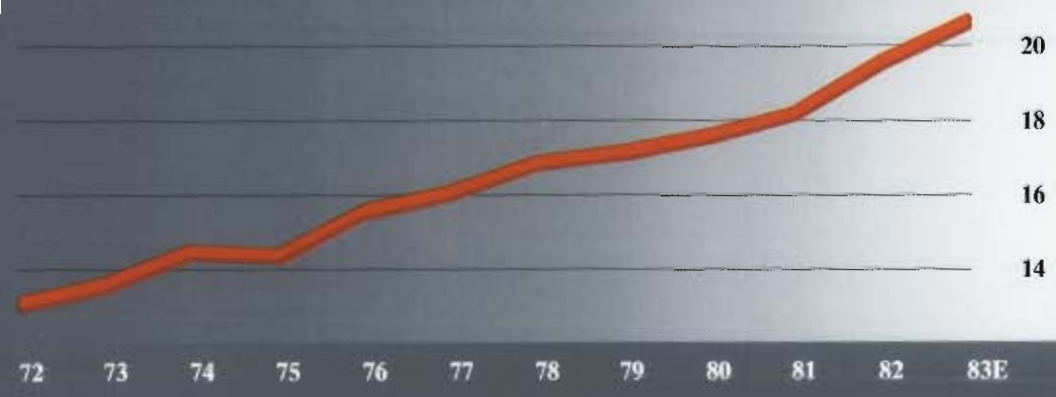
The Industrial Foods Group is the largest domestic refiner of edible oils. It also markets non-dairy creamers and food ingredients, such as natural, process, powdered and imitation cheeses; emulsifiers; confections; and dairy proteins. Trademarks include: *Humko, Cream White* and *Richtex.*

The International Group is composed of Kraft Limited in Canada and the International Division with operations in Europe, Latin America and Asia/Pacific. Many of the group's products are similar to those marketed by Kraft in the United States, but are specially tailored to suit regional tastes. Some brand names such as *Kraft* and *Philadelphia Brand* are universal. Many are recognized national marks: *P'tit Quebec, Fruit Basket* and *MacLaren's Imperial* in Canada, *Dairylea* and *Brains* in the United Kingdom, *Baika* in Italy, *Jocca* and *Miracoli* in Germany, *Ziz* in Mexico, *Fadgies* in Brazil, *Mil Lel* and world-famous *Vegemite* in Australia.

Improving economic conditions and stable food prices in the United States during 1983 ed consumers to expand and upgrade their food purchases both at home and away. The average U.S. household spends only 12 percent of its disposable income for food at home. Total retail food industry sales grew to an estimated $262 billion. Allowing for inflation, the real increase was about 2 percent. The foodservice industry recorded a sales gain of nearly 4 percent after accounting for inflation. In other parts of the world, slow economic recovery retarded the growth in food sales.



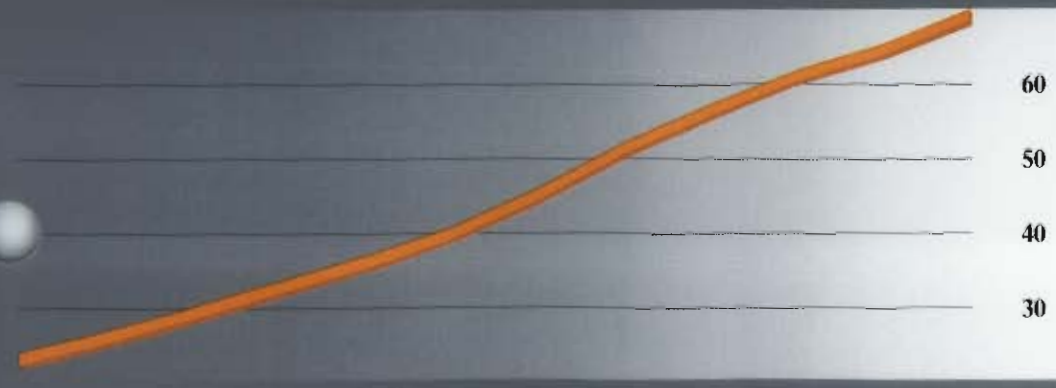
Kraft U.S. Retail Pourable Salad Dressings Introduced Since 1974
Percent of total pourable salad dressing sales



Total Cheese Consumption Per Capita
In pounds

Cheeses include natural and process American cheese (i.e., cheddar and colby) and other natural and process cheeses (i.e., Swiss, Italian-types, brick and Muenster)

Source: U.S.D.A.



Total U.S. Foodservice Industry Food Purchases
Billions of dollars

Source: Technomic Consultants, Data Digest

AD SPREAD
KRAFT
racle
Whip
ad Dressing

Kraft's Retail Food, Foodservice, Industrial Foods and International Groups, including Kraft Limited of Canada, all reported significant profit gains in 1983, while the Dairy Group declined.

In the Retail Food Group, salad products achieved strong profit growth primarily due to new flavors, expanded distribution and low edible-oil prices throughout most of the year. As a result of Kraft studies pointing to consumer preference for bacon-flavored salad dressings, the company expanded its line to include Creamy Bacon, Buttermilk & Bacon and Reduced-Calorie Bacon & Tomato. Pourable dressings had a significant gain in market share.

The national roll-out of *Philadelphia Brand* pourable dressings was completed in 1983. On a tonnage basis, this brand emerged as the fourth largest-selling line in the United States.

Miracle Whip salad dressing and *Kraft* mayonnaise gained market shares due to increased advertising and strong merchandising programs.

Kraft's domestic cheese volume was impacted negatively by the government's surplus dairy product distribution program that gave away over 550 million pounds of cheese during the year, thus reducing total industry tonnage by more than 3 percent. This problem is expected to continue in 1984.

Kraft entered the fast-growing specialty cheese business with its acquisition of the Churny Company, Inc., which has annual sales of $20 million. Churny makes feta, gouda, edam, smoked cheeses, cheese balls and logs, and has licenses to import bleu, Swiss and certain other cheeses from Europe. Over the last five years, specialty cheese as a U.S. industry category has grown at an annual compound rate of 8 percent.

The Retail Food Group continues to focus on a marketing strategy that emphasizes the value-added attributes of Kraft products. It directs the consumer's attention to: the creaminess of *Kraft* real mayonnaise; the superior cooking qualities of *Velveeta* pasteurized process cheese spread; and the

Martha and Harriet spread the word about the creaminess of Kraft *real mayonnaise.*

Churny *and* Red Rooster *specialty cheeses extend Kraft's quality lines.*

Please, just one more sandwich ....a sandwich just isn't a sandwich without the tangy zip of Miracle Whip ***salad dressing.***

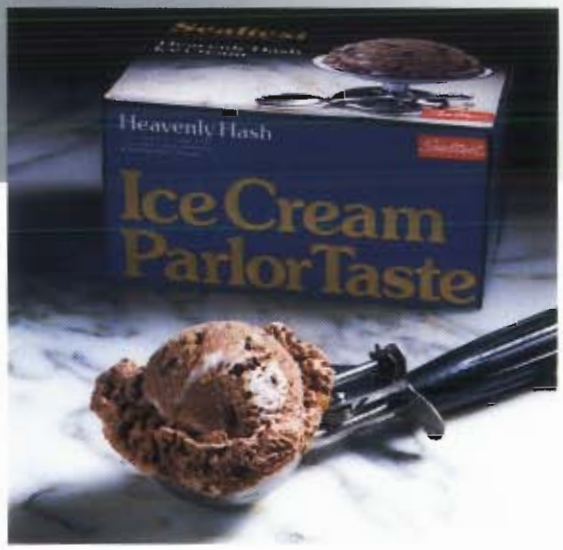
"cheesier" flavor of *Kraft* macaroni and cheese dinner, or as some people prefer to call it, "cheese and macaroni."

Another longstanding, successful marketing example is the series of *Parkay* margarine "talking package" commercials, which has helped move the product from a 10-percent share of market in 1972 to nearly 20 percent in 1983. These commercials highlight the taste comparison of *Parkay* margarine with higher-priced butter.

Kraft has a history of creative advertising techniques, including recipes from the Kraft Kitchens in women's magazines since the 1920s, the famous "hands" food-preparation commercials from the early days of television, and today's long-form commercials for cable audiences. In 1983, the Retail Food Group increased advertising expenditures 8 percent. Approximately 52 percent of the total budget was allocated to television, 14 percent to print advertisements, with radio, coupon carriers and special programs accounting for the remainder.

Kraft's Light n' Lively *yogurt in the unique six pack and the* West Bend Total Gym *home exercise system are fit companions for all generations.*

Heavenly Hash, "with the ice cream parlor taste," is the second most-popular Sealtest *flavor. The number-one favorite is still vanilla.*



Dairy Group sales and operating profit declined in 1983, although there was considerable improvement during the fourth quarter. The group continued to redirect its business from store-door to more cost-effective warehouse delivery and to move away from low-margin private label business. Reducing private label ice cream tonnage allowed the consolidation of production into fewer processing plants.

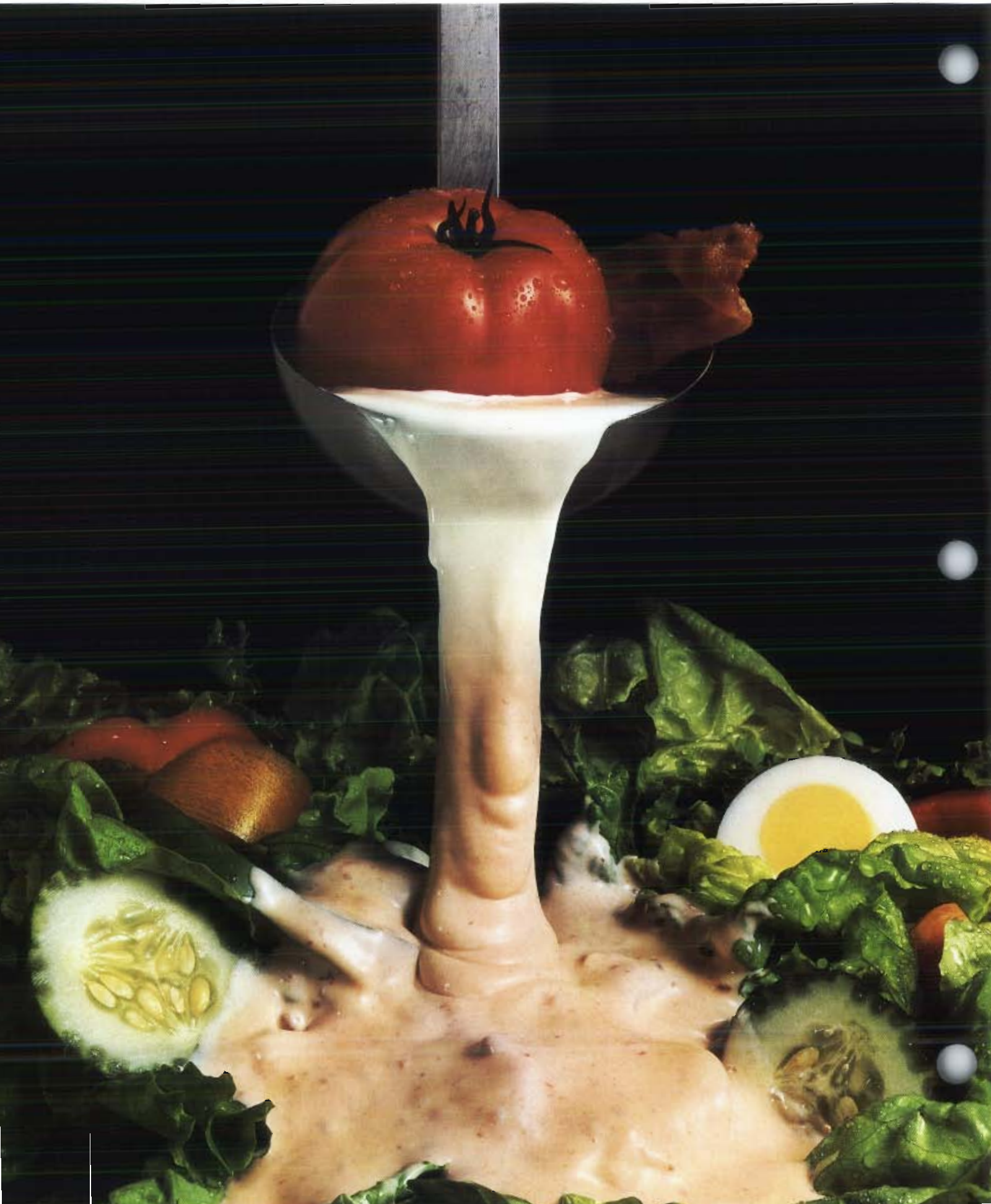
The Dairy Group is focusing on value-added products, most of which are market leaders. Its two ice cream brands, *Breyers* and *Sealtest*, generated the majority of the group's 1983 operating profit. Advertising expenditures for ice cream and certain other products will be up substantially in 1984 as part of the group's overall strategy to increase market share.

The sour cream category is growing at an annual rate of 4 percent and *Breakstone's* and *Sealtest* are the leading brands.

Expansion of branded ice cream and cultured products into underdeveloped markets for the Dairy Group continued in 1983. New marketing programs were established in Chicago, Boston, New Orleans, Indianapolis, Mobile and Montgomery.

Additionally, the Dairy Group is addressing its smaller product categories—identifying ways to strengthen brand franchises in frozen dessert novelties, dips, ricotta, pimento cheese spread and premium butter.

SIX-PACK
Light n' Lively
3 Red Raspberry Lowfat Yogurt
3 Peach Lowfat Yogurt
Light n' Lively
Peach
Lowfat Yogurt
Red Raspberry
Lowfat Yogurt



Foodservice Group operating profit was 20 percent ahead of 1982, a year in which it advanced profit 45 percent from a relatively low base. The major source of improvement was a gain in volume, as the operation increased its sales force substantially and moved up to fourth place in industry sales. In 1983, Kraft was named the Foodservice Supplier of the Year by a group of key multi-unit operators.

Foodservice decentralized decision making in 1982 to give local managers greater flexibility in meeting local competition and in determining which products to handle for the needs of their specific markets. In addition to increased profits, the net effect of these changes has been higher tonnage in continuing markets, lower expenses overall and improved return on investment.

Foodservice is both Kraft the manufacturer and Kraft the distributor. As a manufacturer, its strategic plan is to generate growth by increasing the penetration of Kraft products into the marketplace. The group is working with Research and Development on new salad dressing products, cheese sauces and portion-control items for national accounts.

As a distributor, Kraft is emphasizing its position as the "Fullservice Foodservice" operation, combining localized expertise with national scope. Its internally developed state-of-the-art, computerized vehicle-scheduling system will reduce distribution costs appreciably.

(Above) Have Kraft *Bacon & Tomato salad dressings at home and when dining out.*

(Below) Get into the thick of it. Only one dressing is made with Philadelphia Brand *cream cheese.*

Only Kraft turns real bacon, tomato and dairy sour cream into new Bacon & Tomato dressing, one of 30 varieties offered by Kraft Foodservice.

The improvement in Industrial Foods Group profit is due to higher margins and a more favorable mix of value-added products. The group also produced half of all U.S. private label retail shortening and oil in 1983. The specialty ingredients sector increased volume 20 percent. To meet growing demands, it has added production capacity at Kendallville, Ind., for marshmallow bits and at Albany, Minn., for cheese powders.

Kraft International operating profit, led by Europe and Australia, improved despite generally adverse foreign currency comparisons with the U.S. dollar. Although Kraft's Latin American businesses faced problems typical to the region, they were able to return a profit after currency losses and interest costs.

The core of international operations is a group of wholly owned subsidiaries in 12 countries: Australia, Belgium, Denmark, the Federal Republic of Germany,

Ireland, Italy, Mexico, Panama, Philippines, Spain, the United Kingdom and Venezuela. Additionally, Kraft has extended its franchise into other countries through joint ventures, licensing agreements and export arrangements.

The International product line is similar but not identical to the United States, and varies from country to country. For instance, Kraft is known for ketchup and cake mixes in Germany, as well as frozen meat products in the United Kingdom. In Australia, a unique spread called *Vegemite* has a family penetration of 90 percent and is a national tradition.

When processors depend on quality, they depend on Kraft for snack seasonings, cheese products and other industrial food ingredients.

Kraft spreads bread around the world.

In 1982, the International Group began a major restructuring of European operations to improve its competitive posture through reduction of its cost base and redirection of its marketing efforts. The number of plants was consolidated to 13 from 17, and the work force was reduced by 2,700.

The product line was pruned 25 percent, which reduced tonnage only 2 percent. Kraft withdrew completely from certain low-profit commodity segments, such as bulk edible oil. In addition, new marketing strategies are being implemented in support of Kraft's well-established brands. These programs, together with accelerated new product development, are expected to yield significant gains in the future.

Currently, about 75 percent of Kraft's European business is in retail food, with the remainder in foodservice and export. Cheese represents nearly half of retail tonnage.

In Latin America, Kraft operates in five countries and markets a total of 72 product lines. Kraft is the leading food company in Venezuela with dominant market shares. The company's Brazilian joint venture represents a toehold for Kraft in the largest consumer market in Latin America. Mexico is an older market for Kraft, but one where the business is still in an early growth phase.

Kraft Foods Limited in Australia contributes one-third of Kraft International's operating profit. It is the market leader in salad dressing products and accounts for over half of all cheese consumed in that country. The Australian company also has developed significant export business, which provided about 28 percent of its total sales in 1983.

Only Kraft *Singles ... make it doubly good.*

Kraft Limited of Canada had its eighth consecutive year of record profits on sales of $600 million (U.S.) in 1983. The Canadian company has impressive market shares in cheese, salad dressing products, packaged dinners and peanut butter.

Contributing to Kraft Limited's exceptional performance are highly effective marketing and sales programs and cost-savings efforts, including productivity gains, which together added over $7.5 million (U.S.) to profits. In 1983, the Canadian operation successfully met challenges from two national manufacturers who introduced new sliced process cheese products and from a leading regional retailer in the packaged dinner category.

Foodservice operations in Canada retained market shares on substantial tonnage growth. Salad dressing products, condiments and sauces were particularly strong.

A company does not achieve the stature Kraft enjoys throughout the world without a tradition of quality in its products, as well as in its trade and consumer relationships. Production and research and development skills are essential strengths in a consumer marketing company. For example, direct-labor productivity in the Retail Food Group increased 4.5 percent in 1983, following last year's gain of 4.8 percent, due to state-of-the-art production innovations, improved skill levels and employee involvement programs. Similarly, the Foodservice Group increased distribution productivity 17 percent. Kraft's U.S. energy usage decreased 22 percent since 1973. In the same period, the Industrial Foods Group cut energy consumption per pound in half.

Research in dairy and edible-oil technology and improved planning efforts have resulted in more efficient use of raw materials and supplies, as well as lower inventories. Recently, Kraft engineers developed a high-speed method to produce *Velveeta* pasteurized process cheese spread slices. They also designed a continuous-blending process for margarine and salad dressing products, which accelerated production and reduced energy consumption.

This technical expertise enables Kraft to maintain standards that make the words "quality" and "Kraft" synonymous.

Dart & Kraft is Tupperware

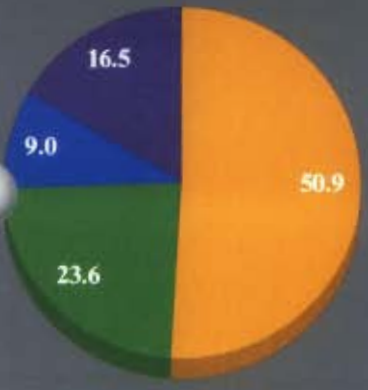
The Direct Selling segment is Tupperware International. In 1983, it accounted for 8 percent of sales and 20 percent of operating profit. Sales and operating profit declined 7 percent and 15 percent, respectively, due to a smaller U.S. dealer force and the continued adverse effect of translating Tupperware's non-U.S. results into dollars.

Direct Selling Operating Profit
Millions of dollars

Tupperware Dealer Force Worldwide
Number at year end
In thousands

73 74 75 76 77 78 79 80 81 82 83E

Direct Selling *Percent of total sales*
- *United States and Canada*
- *Europe, Africa, Middle East*
- *Mexico, South America*
- *Asia/Pacific Area*



Tupperware International is composed of four operating groups that cover: the United States and Canada; Europe and Africa; Mexico and South America; and the Asia/Pacific region, including Japan, Australia, Philippines and New Zealand. Tupperware sells through a network of more than 300,000 independent distributors, managers and dealers in over 30 countries. Operations outside the United States account for more than 50 percent of total revenues.

During the economic recovery of 1983, many direct-selling companies in the United States experienced declines in their dealer forces. In part, this stemmed from increased competition within an expanding industry and from the economic recovery itself. 1983 was the second time in its history that Tupperware experienced lower domestic operating profit. In 1975, at the end of the last major recession, U.S. profits also declined.

Although difficult to quantify, it is apparent that some potential and current dealers accepted full-time employment as it became more readily available, even though they might have preferred the convenience of part-time careers. Additionally, as many people were recalled to the nation's work force after the long recession, family finances began to normalize, reducing the need for supplementary or emergency income. As a result, dealer recruitment fell below the record level of 1982.

This pattern is supported by government statistics which indicate that full-time employment reversed its decline during the fourth quarter of 1982 and increased sharply in 1983. Conversely, part-time employment, which rose in 1982, fell in 1983.

From 1967 through 1982, the average annual count of Tupperware's domestic dealer force increased on a remarkably consistent basis. In 1983, year-to-year growth was only slightly below the trend line, while 1982 was substantially above the norm. Dealer recruitment in the United States was strong enough to end the year with the second-largest dealer force in its history. Only 1982 was greater. The majority of the dealer force is composed of women in the age groups 25-34 and 35-44. These categories have seen substantial increases in labor force participation in both percentage gains and absolute numbers.

According to the U.S. Department of Labor, the percentage of women in the work force who are 25-34 advanced from 45 percent in 1970 to 66 percent a decade later, and is expected to climb to 77 percent by 1990. The 35-44 age group increased from 51 percent to 66 percent, and should rise to 74 percent by 1990.

These age groups will be the largest, which is important because Tupperware has traditionally attracted the highest percentage of its dealers from this segment of the population.

The company's research indicates that working women, on average, spend more on *Tupperware* products than women outside the work force, and those employed full time buy more than part-timers. This is because working women generally have more discretionary income and

Tupperware speaks the universal language of quality in over 30 countries.

You're in the company of friends as a Tupperware dealer or as a guest at a Tupperware *home party in a big city or suburb, a small town or on the farm.*

Tupperware products offer them time-saving convenience. Over the years, as women have entered the work force in greater numbers, more *Tupperware* parties have been held on evenings and weekends to accommodate their schedules.

Outside the United States, Tupperware's businesses performed well in a very difficult economic environment. Sales and operating profit in local currencies, as well as the dealer force, all increased. However, when translated into U.S. currency, results were adversely affected by the strength of the dollar.

Tupperware is responding to the current environment by offering highly focused dealer recruitment programs in the United States and by initiating cash management procedures more closely tied to local currencies elsewhere.

(Above) Kids swing into summer with Tupperware.

The Tupperware *serving center set keeps informal entertaining cool, crisp and tasty. Prepare ahead and serve whenever the guests arrive.*

(Below) Tupperware and Kraft announce a marriage of "convenience."

Responding to demographic changes in the '80s, Tupperware is focusing on the shift to the Sun Belt, an aging population, and the trend to smaller families and residences. In this regard, the *Modular Mates* line of compact, stackable containers introduced last year was expanded and became Tupperware's largest-selling line in 1983. The *Modular Mates* series received the *Industrial Design* magazine annual design review award for best of category for consumer products.

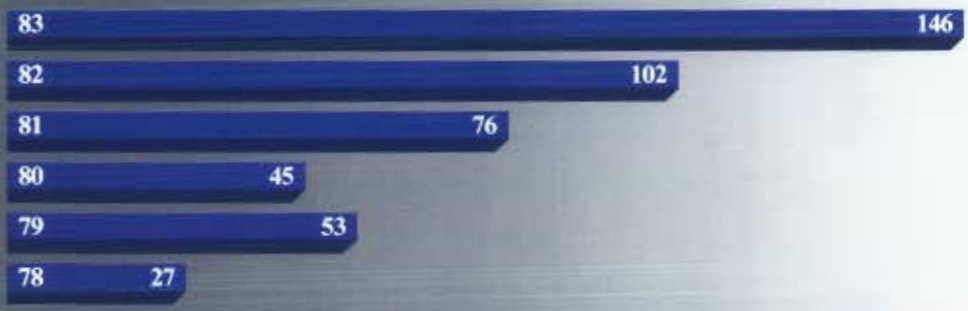
Other new products included: Oriental bowls; luncheon plates; Super Cereal Storer; the *Carry-All* container; the hair care set; the personal valet; the *Big Wonders* and *Little Wonders* storage containers; the cheese server; the *Flavor Saver* container; small and medium picture frames; *Busy Blocks* and the *Velveeta Keeper.*

Worldwide, Tupperware sales per dealer and sales per capita continue to be much lower than in the United States. Through more careful market segmentation and more directly focused programs, Tupperware will concentrate on increasing sales and profits outside the United States.

Wherever Tupperware is sold, advertising is being increased and is addressing both dealer career opportunities and the inherent advantages of *Tupperware* containers.

Dart & Kraft is Duracell, Hobart and West Bend

The Consumer and Commercial Products segment accounted for 17 percent of sales and 15 percent of operating profit in 1983. Duracell Inc., Hobart Corporation and The West Bend Company comprise this segment. Sales increased 16 percent and operating profit 43 percent.



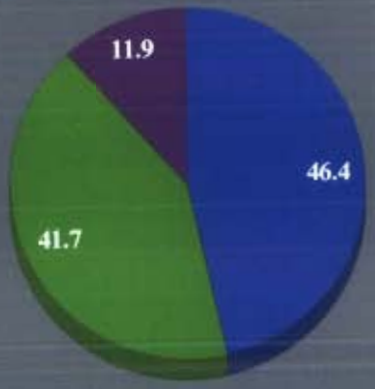
Consumer and Commercial Products Operating Profit
Millions of dollars

Duracell Inc. is the leading producer of high-performance consumer batteries, with worldwide sales of its alkaline batteries nearly 50 percent greater than those of its closest competitor. The company also markets a new line of *Durabeam* lighting products in the United States. Duracell is the largest battery company in Europe and Canada, and has a growing presence in other parts of the world. As a result of the acquisition of the continental European business of British Ever Ready Ltd. in late 1982, Duracell produces the *Daimon* lines of alkaline and zinc-carbon batteries for sale in Germany and northern Europe, and the *Superpila* brand of zinc-carbon batteries available in Italy, Greece and elsewhere. In 1983, Duracell began the manufacture of high-performance alkaline batteries in Japan, through a joint venture with Sanyo Electric Co.

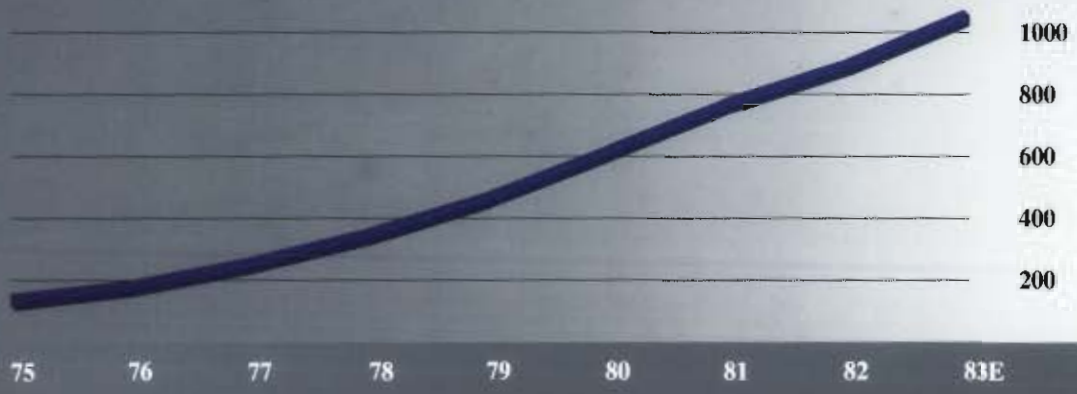
Hobart Corporation is the world's largest supplier of commercial equipment sold to the retail food and foodservice industries. The company manufactures the *Hobart* line of commercial warewashing systems; cutters, slicers and mixers; deep fryers and ovens; scales; electronic systems for packaging, weighing and labeling; refrigerators; and food-waste disposers. In the United States, Hobart also produces the consumer-acclaimed *KitchenAid* line of home appliances, including dishwashers; food mixers and processors; compactors; hot-water dispensers; food-waste disposers; and the recently acquired high-quality line of *Chambers* countertop cooking units and built-in ovens. The three profit centers: Commercial Equipment, International and KitchenAid accounted for 53 percent, 24 percent and 23 percent of Hobart's 1983 sales, respectively.

The West Bend Company manufactures and markets direct-to-the-home stainless-steel cookware, small electric kitchen appliances and electronic timers. In addition to *West Bend*, the company's valuable trademarks include: *Stir Crazy, Poppery II, Butter-matic II, Country Kettle, Lifetime* and *Triple Timer.* The acquisition of the *Total Gym* exercise system line in mid-1983 marks the company's entry into the fast-growing home physical fitness equipment business.

Consumer and Commercial Products
Percent of total sales
- *Duracell*
- *Hobart*
- *West Bend*

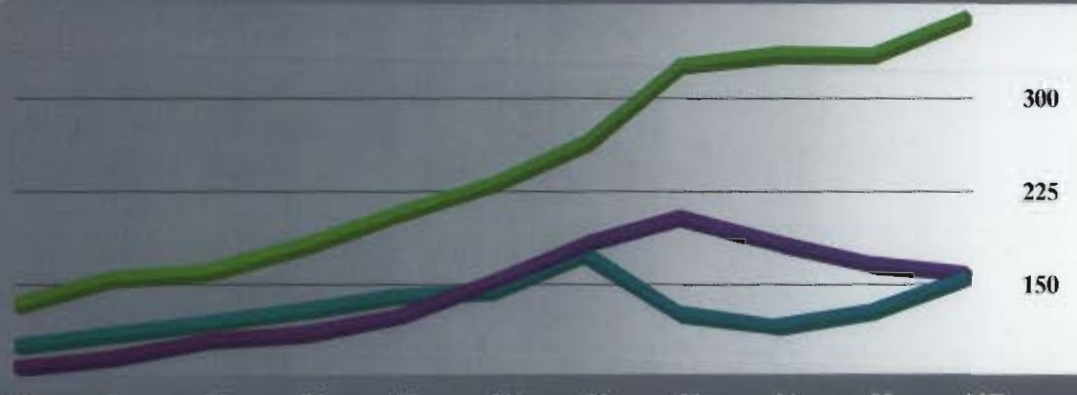


The businesses in the Consumer and Commercial Products segment complement and extend Dart & Kraft's range of value-added products and services. Strong technical research, product development and an emphasis on quality are characteristic of Duracell, Hobart and West Bend. These businesses are significantly affected by growing consumer use of battery-powered products; by the building and remodeling of restaurants, supermarkets and homes; and by new household formations. Each of these activities benefited from the economic recovery of 1983.



Worldwide Alkaline Battery Industry– Manufacturer Shipments
Millions of dollars

Compiled by Duracell Inc.



Hobart Corporation Division Sales
Millions of dollars

- *Commercial Equipment*
- *KitchenAid*
- *International*

IF THIS BUS RAN ON BATTERIES, IT WOULD RUN MUCH LONGER ON DURACELL.
RM 1839

The three business units that are the Consumer and Commercial Products segment—Duracell, Hobart and West Bend—turned in exceptionally strong performances in 1983.

Duracell sales and operating profit rose substantially. Business in its critical fourth quarter was vigorous. Increased profitability in the United States reflected higher sales volume and further improved manufacturing and purchasing efficiencies.

Internationally, sales and operating profit increased particularly in Europe, Canada and Australia. A full year's performance by the newly acquired product lines sold under the *Daimon* and *Superpila* brands in Europe was a contributing factor.

Batteries remain one of the largest and most profitable categories of disposable consumer goods. In the United States, it is approximately a $2-billion retail market. The average household has more than nine battery-operated devices such as flashlights, radios, cameras, toys, calculators, tape recorders and smoke alarms and purchases more than two dozen batteries annually. While there are more than 750 million battery-operated devices today, the number-one user of batteries continues to be the basic flashlight.

Duracell has introduced a line of five *Durabeam* lighting products in the United States. They fill an important segment in an historically undermarketed category, estimated at approximately $250 million at retail. The copper and black lighting products offer the replacement opportunity of an estimated 530 million batteries annually. The lights are distributed through many of the same channels as *Duracell* alkaline batteries. The public's response to the *Durabeam* line was immediate and positive.

Since 1973, the total U.S. market for batteries has grown at the rate of 18 percent, while the market for high-performance alkaline batteries has grown at a 28-percent rate. Duracell's superior product and marketing leadership, based on an aggressive mix of advertising, trade and consumer promotions, led this trend.

In Canada, the alkaline battery market, while similar to that of the United States, is more mature; and Duracell has approximately 70 percent of this market in units.

In Europe, alkaline batteries represent about 20 percent of the total battery market in units. While Duracell has over half of the present alkaline market, there is considerable growth potential. The acquisition of the continental

World powers... Duracell, Superpila, Daimon *and* Sanyo-Duracell.

The Durabeam *emergency light comes to the rescue.*

Duracell rolls out its high-performance message, with a double-decked campaign, to 11 million people all around Londontown.

The Hobart *convection oven is a new energy-efficient product developed for the foodservice industry. And, Kraft tops the potatoes.*

European business of British Ever Ready also positions Duracell in these important markets for zinc-carbon batteries as well. With its new *Daimon* and *Superpila* lines, Duracell is now the largest battery company in Europe, with expanded production capabilities, markedly increased distribution range and expanded export opportunities.

(Below) Hobart *for the right mix... the first choice of the foodservice and baking industries.*

(Above) Dishwashers from KitchenAid are made better to clean better.

Japan is the largest market for batteries after the United States and Europe. Duracell's joint venture with Sanyo Electric Co. is designed to serve this $400-million market, where alkaline battery sales currently account for less than 10 percent of the total. Sanyo-Duracell expects to serve as both a supplier to original equipment manufacturers and as a major exporter throughout the Pacific basin.

Hobart was in excellent position to take full advantage of the recovering U.S. economy due to its implementation of a broad range of improvement programs. The domestic Commercial Equipment and KitchenAid divisions had higher unit volume, and Hobart operating profit increased significantly in 1983. The Commercial Equipment Division improved trends in both unit volume and market share. Cooking equipment, warewashers and waste disposal systems contributed strongly to profit gains.

Strategic directions established in 1983 are regarded as the continuing basis for growth in 1984. These include the management of foodservice replacement equipment as a growth business, increased involvement in the multi-unit foodservice segment, expansion of market position in scales, accelerated new product introductions, reduction of the number of models in each line, and improved distribution effectiveness.

Over half the growth of Commercial Equipment sales in 1983 was from products developed in the past two years. These include: the thermal label-printing module of the Model 5000 weighing and wrapping system; a hand wrap station for use with the 1860 scale and the 18VP thermal label printer; a series of reach-in refrigerators for foodservice operations; the Cook & Hold gas convection oven; and a compact, microprocessor-controlled, temperature-convertible dishwasher.

The KitchenAid Division's profit gains were derived in large measure from its dishwasher lines, which are sold primarily to the premium replacement market. The industry

HOBART

estimates that approximately 1.4 million home dishwashers were replaced in 1983. During the year, KitchenAid introduced its first solid-state dishwasher, the KDSS-20 *Selectra*, to better serve the upscale segment of this market.

Research and development efforts also produced a lower-priced, smaller-capacity food processor as a companion unit to the multi-function processor introduced by KitchenAid in 1982.

These and other products are being supported in 1984 with an expanded sales and consumer marketing program that includes a 34-percent increase in the advertising budget. Part of this budget will cover the new line of *KitchenAid* cooking equipment, produced in the Oxford, Miss., plant acquired last summer with the *Chambers* built-in oven and counter-top cooking business. Promotions will focus on the "KitchenAid Kitchen" concept as the division continues to strengthen its position in the premium segments of the home appliance industry.

The West Bend *electronic timer/stopwatch... counts down for cooking and sunbathing... counts up for jogging and phone calling.*

Hobart's International Division was impacted by slow worldwide economic recovery and the strong U.S. dollar. A number of actions were taken during 1983 to improve the near-term performance of these operations and to position them for the attainment of long-term growth and profitability goals. As operational improvements continue in Europe during 1984, high priority is being given to finalizing marketing and manufacturing strategies for each country.

West Bend boosted its operating profit to a record level during 1983. There was a slight increase in sales despite the discontinuance of retail lines of cookware and home humidifiers late in the year. West Bend is emphasizing research and development and is concentrating on more profitable product lines including electric housewares, kitchen electronics, and direct-to-the-home stainless-steel cookware. With respect to electronic timers, sales increased significantly over 1982. The growth potential for the existing line of timers continues to look good, as it does for physical fitness timers to be introduced this year.

In 1983, West Bend acquired the *Total Gym* line of home physical fitness equipment. (See page 9.) It is being marketed through many of the same outlets that now carry *West Bend* electric housewares.

Canada suffered severely depressed market conditions in housewares, particularly in the fourth quarter. Nonetheless, West Bend gained number-one market share in gas barbecue grills. During 1984, barbecues and fitness products will offer growth opportunities for West Bend in Canada.

Dart & Kraft is Specialty Products

The Specialty Products segment, which includes Decorative Building Products, Health Care, Packaging and Plastic Specialties, accounted for 6 percent of sales and 7 percent of operating profit. 1983 was a year of improved performance: operating profit increased 48 percent. Although total sales declined 6 percent, revenues from continuing operations rose 17 percent.

Specialty Products Operating Profit
Millions of dollars

Housing Starts
Privately owned units
In thousands

Source:
Survey of Current Business

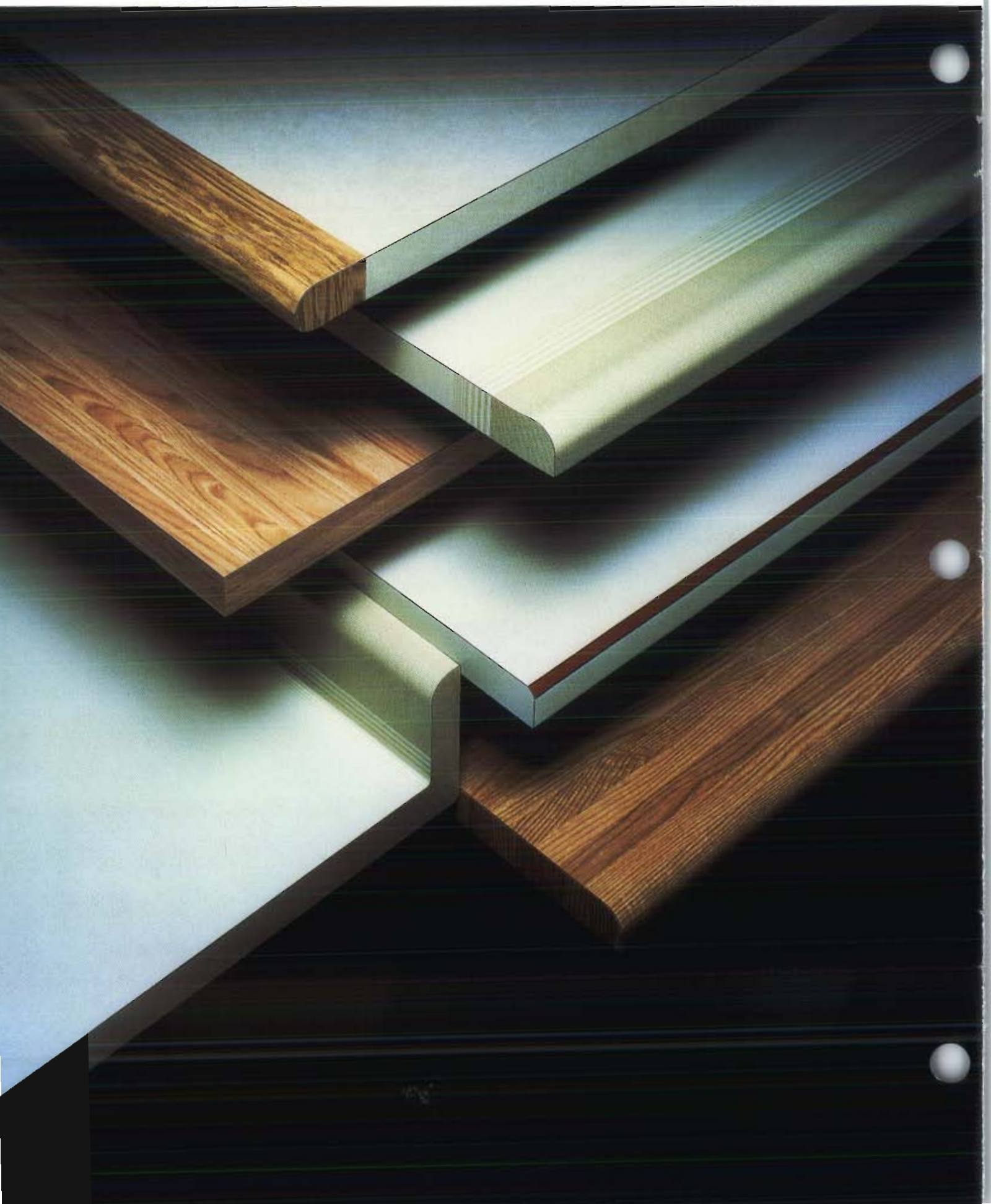
72 73 74 75 76 77 78 79 80 81 82 83E

The Decorative Building Products sector is *Wilsonart* decorative laminates and *Lokweld* contact adhesives, produced by Ralph Wilson Plastics Co. It serves the new housing, home-remodeling and business interiors markets.

Health Care includes Seamless Hospital Products Company, which manufactures disposable medical and surgical products, and Absorbent Cotton Company, which makes cotton and gauze dressings.

In the Packaging sector, Universal Packaging Corporation produces paperboard folding cartons; and Rexcel manufactures plastic containers and closures, primarily for the food industry.

Plastic Specialties is a group of chemical and plastics businesses, which produce industrial components.



Ralph Wilson Plastics Co. was a large contributor to the Specialty Products segment's 1983 performance improvement. In addition to benefiting from the acceleration in new housing starts in 1983, the company sharply increased revenues as a result of an aggressive sales thrust into the commercial interiors market. The *Wilsonart* brand maintained its leadership position in decorative plastic laminate surfacing for cabinets, countertops and other interior applications.

Wilsonart high-quality laminates are manufactured in a variety of surface finishes, as well as a broad spectrum of solid colors, marbles, leathers, wood grains and special designs.

There are currently 14 regional *Wilsonart* laminate distribution centers in the United States, as well as 150 independent distributorships in 47 states and seven countries.

The company has moved strategically in the past several years to position itself as an important supplier of interior surfacings for commercial buildings. A marketing program of trade-show appearances and applications brochures has demonstrated how *Wilsonart* decorative laminates can enhance the appearance of something as common as a telephone kiosk or as sophisticated as either a high-tech communications center or a high-fashion boutique.

Ralph Wilson Plastics Co. introduced the *Tambour* line, which is a grooved, flexible decorative laminate, specifically targeted for commercial application as wall surfacing in reception areas, offices and specialty shops. The unique grooved characteristics of this laminate allow architects and designers to specify the product for curved surfaces, such as bays and pillars.

During 1983, the company enlarged its Fletcher, N.C., plant; and capital plans call for further expansion during 1984 that will double capacity to meet rising product demand.

The Cream of the Tops. Wilsonart *decorative laminate is the first choice for style and durability by contractors and interior designers.*

Wilsonart *Specialty Laminates can greatly enhance productivity, efficiency, safety and morale.*

Plastic Specialties operations also achieved sales and operating-profit growth in 1983, propelled in part by increased sales of U.S.-manufactured automobiles.

The majority of its five businesses are responsive to the growth patterns of the automotive, chemical and plastics industries. Each of the Plastic Specialties businesses is among the best-managed and most highly regarded in its individual industry segment.

Health Care manufactures and sells disposable medical products that fulfill many of the daily needs of hospitals, nursing homes and clinics. Health Care operations were impacted in 1983 by a flood at Absorbent Cotton which resulted in a six-month effort to achieve a return to full capacity. In addition, there were labor problems at Seamless Hospital Products during the first quarter. With these problems now resolved, the finalization of contracts with two of the largest hospital buying-groups provides Seamless with a solid sales base for 1984.

Medical professionals rely on disposable Seamless *products for use in operating and emergency rooms, as well as for daily patient care.*

As the cost of health care continues to spiral, the sector's medical and surgical products represent a real value in several important ways. They are low cost and they reduce direct-labor expense because they are both pre-assembled and disposable. Seamless' advertising and informational materials have been cited by the medical profession for their straightforward approaches to health-care economics.

Ground was broken for a new Seamless production facility that should ensure the company's position as low-cost supplier of medical disposables.

As an addition to Absorbent Cotton, the *Sterile Products* line of pharmaceutically impregnated gauze dressings was purchased.

In 1984, the Health Care sector expects to achieve significant growth in its existing operations; and additional acquisitions are anticipated to expand its high-potential business.

The Packaging sector increased sales and operating profit and improved market share through creative and aggressive marketing.

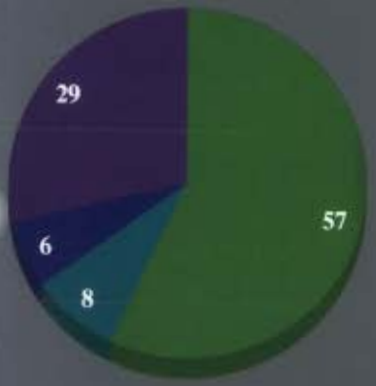
Many of the containers and cartons manufactured by this sector are used by Kraft in its retail food, dairy and foodservice lines. The greater portion of the sector's sales, however, is to other large food processors.

A number of Specialty Products' small businesses have been divested including ERC/Lancy, Canada Cup, Telic, Insulpak and the domestic businesses of Capital Controls. While all of these businesses were profitable, they were not perceived to have the potential to achieve long-term strategic objectives.

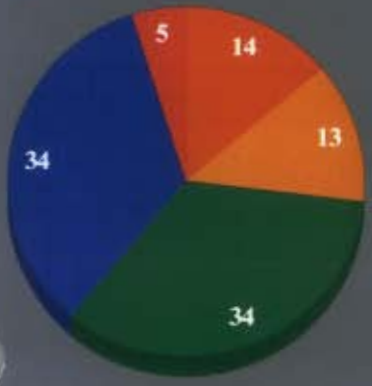
Dart & Kraft is Concern for People

Dart & Kraft believes that its business activities benefit the community and contribute to the development of human potential. Dart & Kraft further believes that the well-being of people and the community are integral to the growth of its businesses. These beliefs are manifested in programs that address affirmative action and equal employment opportunity, minority economic development, environmental protection, and volunteer and philanthropic activities. Underlying the company's efforts is a strong commitment to those programs that encourage and assist individuals to develop their own resources in order to command and improve their own destinies.

U.S. Employment
Percent of total employed
- *Majority men*
- *Minority men*
- *Minority women*
- *Majority women*



U.S. Charitable Contributions
Percent of total contributions
- *Culture and Art*
- *Civic*
- *Education*
- *Health and Welfare*
- *Other*



Affirmative action and equal employment opportunity programs are designed to increase the participation of women and minorities in the work force.

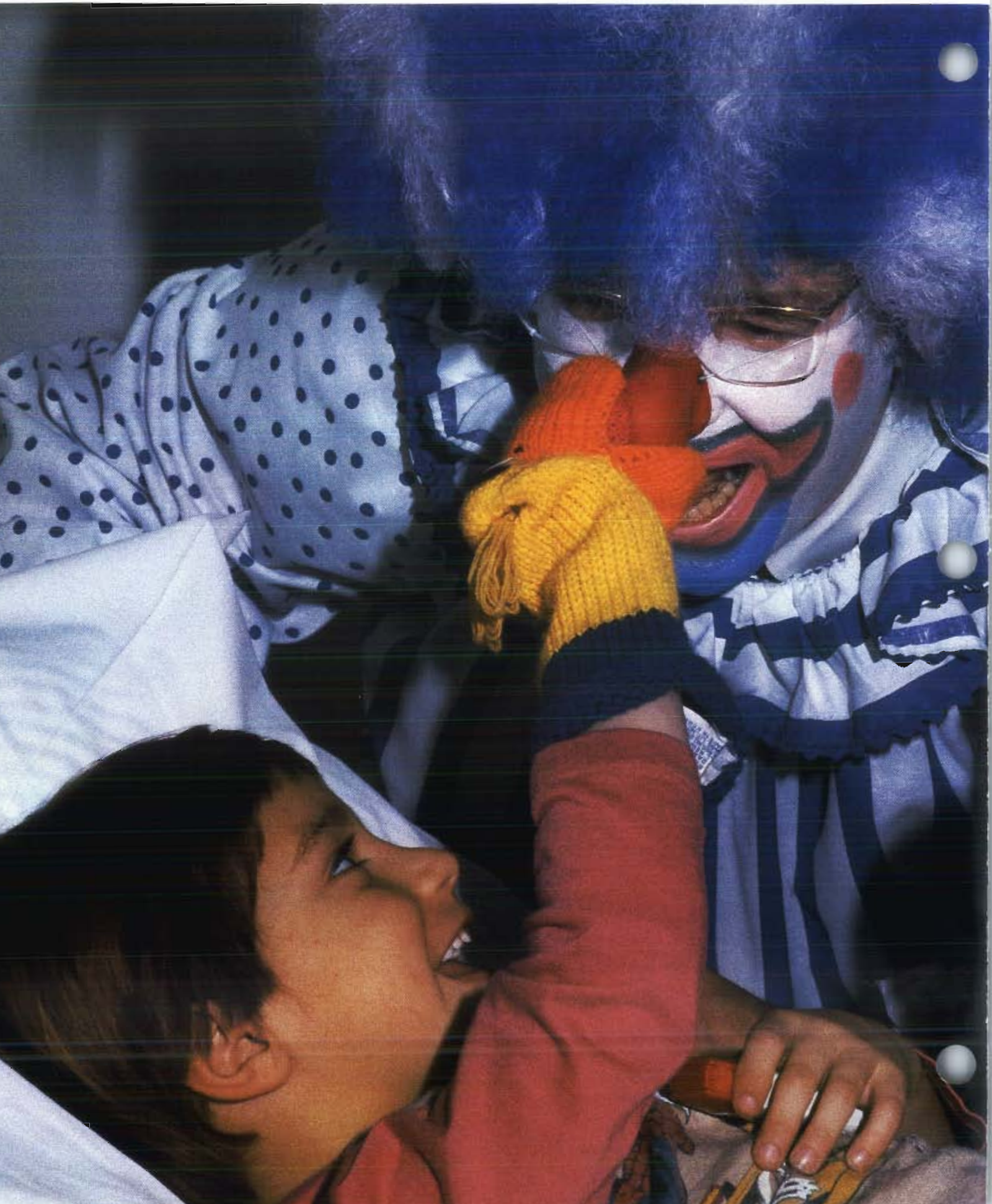
Since the formation of Dart & Kraft in 1980, the employee population has changed due to acquisitions, divestitures and consolidations. In 1983 alone, U.S. employees were reduced 4,000 to 46,300.

The absolute number of women and minorities decreased in about the same proportion as the domestic Dart & Kraft work force. But, as a percentage of the total, women and minorities each declined one half of one percent to 35.5 and 14.1 percent, respectively. Importantly, however, their representation in the two highest job categories increased. Women officials and managers rose to 9.6 from 8.8 percent, and professionals gained a full percentage point to 26.5. Minority officials and managers increased to 5.5 from 5.3 percent, and professionals rose to 8.4 from 8.0 percent. Further improvement should result from expanded efforts throughout the company. Consolidated EEO statistics are available upon request to the Secretary.

The Dart & Kraft Foundation was established early in 1983 to serve as the philanthropic arm of the corporation and its business units. The foundation structure enables the company to expand its charitable giving in a consistent and cost-effective manner.

Dart & Kraft is committed to the long-term objective of contributing 2 percent of domestic pretax income to not-for-profit organizations and institutions whose work improves the well-being of society and, therefore, the environment in which the company operates. In 1983, Dart & Kraft donated $6.3 million, equivalent to 1.1 percent of pretax profit in the United States.

In addition to financial support, the company provides certain goods and services to help meet specific needs. Of greatest value is the time and effort volunteered by Dart & Kraft employees in the communities in which they live.



Dart & Kraft is committed to building and maintaining a climate conducive to high performance and personal development. The company understands that extra effort is required to assure equitable representation of qualified women and minorities.

During 1983, Dart & Kraft gave special equal opportunity and affirmative action training to 2,500 managerial and professional employees. By the end of 1984, 6,000 managers and professionals will have participated.

Another aspect of Dart & Kraft's affirmative action efforts is providing jobs and compatible facilities for the handicapped. Tupperware, for example, was recognized in 1983 by associations in two states for its achievements in this area. Over 24 percent of the work force at its plant in Jerome, Idaho, and 11 percent at Woonsocket, R. I., are valued, productive employees who also are disabled.

In metropolitan areas where Kraft has multiple operations, its managers comprise task forces that implement affirmative action programs. These groups seek women, minority and handicapped applicants for employment; act as liaisons with community agencies; and support minority economic development.

During 1983, total Dart & Kraft purchases from minority-owned businesses increased to $15.5 million. Deposits of tax payments in minority-owned banks nearly tripled to $123.4 million. The company also maintains time deposits in minority banks of $3.1 million and an $8-million line of credit with a consortium of minority banks. During the year, Dart & Kraft awarded new contracts to two minority-owned insurance agencies, in addition to maintaining relationships with two minority-owned life insurance companies.

In 1983, Dart & Kraft was a major contributor to the new Corporate Loan Fund established by the Chicago Economic Development Corporation, designed to assist small minority businesses. Over the years, Kraft executives have served as directors of this organization.

Dart & Kraft employees also are active in Chicago United, a consortium of leading black, Hispanic and white executives and professional people dedicated to the socioeconomic improvement of the metropolitan area. It is one of many vehicles through which the company maintains communication with minority communities, helping to identify critical problems and to assist in developing solutions to them.

(Above) Kraft taught John Shepherd trucking and does over $1 million annual business with his line.

(Below) The Gilbert School in Buena Park, Calif., has been adopted by Kraft.

Hobart employees volunteer their services to bring gifts and good cheer to hospital patients in the community.

Historically, the company has supported quality education in a variety of ways. Kraft provides fellowships and grants in nutrition research and education at several universities. Duracell's educational interest is electrochemistry. It also is in the second year of a national scholarship program for high-school students designed to stimulate interest in science and technical creativity among teenagers. Hobart sponsors an annual university seminar for women in engineering.

In six cities, Kraft employees volunteer their time and skills to primary and secondary schools through the Adopt-A-School and Principal's Scholars programs. The company supports their efforts with financial and materials assistance.

Dart & Kraft's education outreach extends to a number of youth organizations such as the National Merit Scholarship Program, Junior Achievement, the Ralph Wilson Youth Clubs of Temple, Texas, and National 4-H Council. Kraft has been associated with 4-H for 31 years and currently sponsors the National Health Program in which nearly 390,000 young people are enrolled. In connection with this program, in 1983 the company underwrote the production of "Get the Message?" a film that increases children's awareness of the messages they receive about drugs and alcohol. The film is available on a free-loan basis to 4-H leaders, school teachers and community groups.

Service to the community takes many forms. For example, the company is a major supporter of the Second Harvest National Foodbank Network. Since its formation in 1979, over 5.1 million pounds of Kraft products have been donated to the network, as well as financial support and management assistance.

For several years, Dart & Kraft has matched individual employees' contributions to local United Ways. In 1983, total United Way giving by employees and the corporation was over $1.8 million.

In January 1984, Dart & Kraft introduced an expanded matching gift program, which provides company dollars in support of employee contributions to both educational and charitable organizations. It is one of the broadest ranging in corporate America and reflects the company's desire to enhance the charitable interests of its employees and to encourage their personal involvement in the communities in which they live and work.

Both students and their teachers were winners in Duracell's science competition.

Company fellowships send 15 children of employees abroad with Youth for Understanding.

Justin Dart
1907-1984

Justin Dart, chairman of the executive committee of the Board of Directors, died January 26 from a recurring heart problem. He was 76.

A native of Evanston, Ill., Mr. Dart was an honor-roll student and an All Big 10 guard in football at Northwestern University. After graduation, he joined the Walgreen Company, a Chicago-based drugstore chain, and was made general manager in 1939.

Mr. Dart later joined United Drug Inc., which became the Rexall Drug and Chemical Company. He was elected a vice president and a director in 1942, and president the following year.

In 1958, Mr. Dart was instrumental in Rexall's acquisition of the Tupperware Company for $10 million. In 1983, Tupperware International reported sales of $825 million and operating profit of $189 million. The Ralph Wilson Plastics Co. was acquired in 1966. Two years later, The West Bend Company was merged into Rexall. In 1978, the *Duracell* alkaline battery business was added to the corporate roster.

Justin Dart was elected chairman and chief executive officer of Rexall in 1966. Three years later, reflecting the dynamic entrepreneurial spirit of its chief executive, the diversity of its operations and the move away from the retail drugstore business, the company's name was changed to Dart Industries Inc.

At the time of the merger with Kraft, Inc. in 1980, Dart Industries had sales of $2.4 billion and earnings of $160 million. Justin Dart served the company continuously as a director for over 40 years.

An early exponent of commercial aviation and a pilot himself, Mr. Dart was a director of United Airlines and its parent corporation, UAL Inc., for 38 years. He was named director emeritus in 1979. He also was a director of Cowles Communications and the Communications Satellite Corp.

Mr. Dart was National Football Foundation 1981 College Football Hall of Fame Medal recipient.

He was active in civic and community affairs. A senior member of The Conference Board, he also served on the policy committee of The Business Roundtable and as founding co-chairman of The California Roundtable. Mr. Dart was a trustee of the University of Southern California, and past chairman of its board. He served as a trustee of the Los Angeles County Museum of Art and of the Eisenhower Medical Center in California. Additionally, he was a member of the executive committee of the board of trustees and a vice president of the Hospital of the Good Samaritan in Los Angeles.

Mr. Dart valued his long-time personal associations with Dwight Eisenhower and Ronald Reagan. He acted as confidant and advisor to these two American presidents. They shared a common belief that economic independence is essential to the preservation of individual freedom. Justin Dart loved the United States and was a champion of its economic system. His challenge to everyone was: "Get involved. You owe it to our country, to the world, and to yourselves."

Summary of Selected Financial Data

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions, except per share)

Summary of operations:	1983	1982	1981	1980	1979
Net sales	$ 9,714	$ 9,974	$10,211	$ 9,411	$ 8,824
Costs and expenses—					
Cost of products	6,683	7,098	7,452	7,032	6,586
Delivery, sales and administrative expense	2,200	2,122	1,990	1,695	1,553
Interest expense	87	116	126	73	69
Interest income	(68)	(64)	(41)	(50)	(44)
Other income, net	(5)	(46)	(68)	(33)	(16)
Total costs and expenses	$ 8,897	$ 9,226	$ 9,459	$ 8,717	$ 8,148
Income from operations	$ 817	$ 748	$ 752	$ 694	$ 676
Nonoperating items	—	(91)	(108)	19	17
Income before taxes	817	657	644	713	693
Provision for taxes on income	382	307	296	330	333
Net income	$ 435	$ 350	$ 348	$ 383	$ 360
Dividends to shareholders	$ 210	$ 197	$ 185	$ 150	$ 132
Per share of common stock:					
Net income from operations	$ 7.92	$ 7.56	$ 7.35	$ 6.89	$ 6.59
Net income	7.92	6.40	6.36	7.03	6.62
Dividends—Dart & Kraft	3.84	3.60	3.40	.80*	—
Dividends—Kraft	—	—	—	2.40*	3.00
Dividends—Dart	—	—	—	1.50*	1.80
Financial position:					
Current assets	$ 3,356	$ 3,165	$ 2,968	$ 2,774	$ 2,700
Current liabilities	1,617	1,487	1,570	1,291	1,212
Working capital	1,739	1,678	1,398	1,483	1,488
Property, plant and equipment, net	1,430	1,473	1,565	1,379	1,264
Total assets	5,418	5,134	5,054	4,650	4,382
Long-term debt	563	616	552	540	596
Shareholders' equity	2,923	2,774	2,718	2,621	2,383
Per share of common stock	$ 53.31	$ 50.66	$ 49.81	$ 48.14	$ 43.90
Return on total capital	13.3%	11.1%	11.3%	13.0%	13.2%
Return on average equity	15.3%	12.8%	13.0%	15.3%	15.9%
Statistical information:					
Capital expenditures	$ 212	$ 336	$ 346	$ 337	$ 257
Depreciation	171	189	198	153	143
Total taxes—income, property, payroll and other	547	463	455	469	464
Per share of common stock	$ 9.95	$ 8.46	$ 8.34	$ 8.61	$ 8.53
Payroll and employee benefits	$ 1,744	$ 1,647	$ 1,707	$ 1,499	$ 1,513
Average number of employees	77,139	79,933	88,498	79,968	78,656
Number of shareholders at year end	74,443	78,808	83,393	86,050	89,747
Number of shares of common stock outstanding at year end (thousands)	54,828	54,745	54,567	54,439	54,278
Average number of common and common equivalent shares (thousands)	54,962	54,755	54,599	54,489	54,367

**1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.*

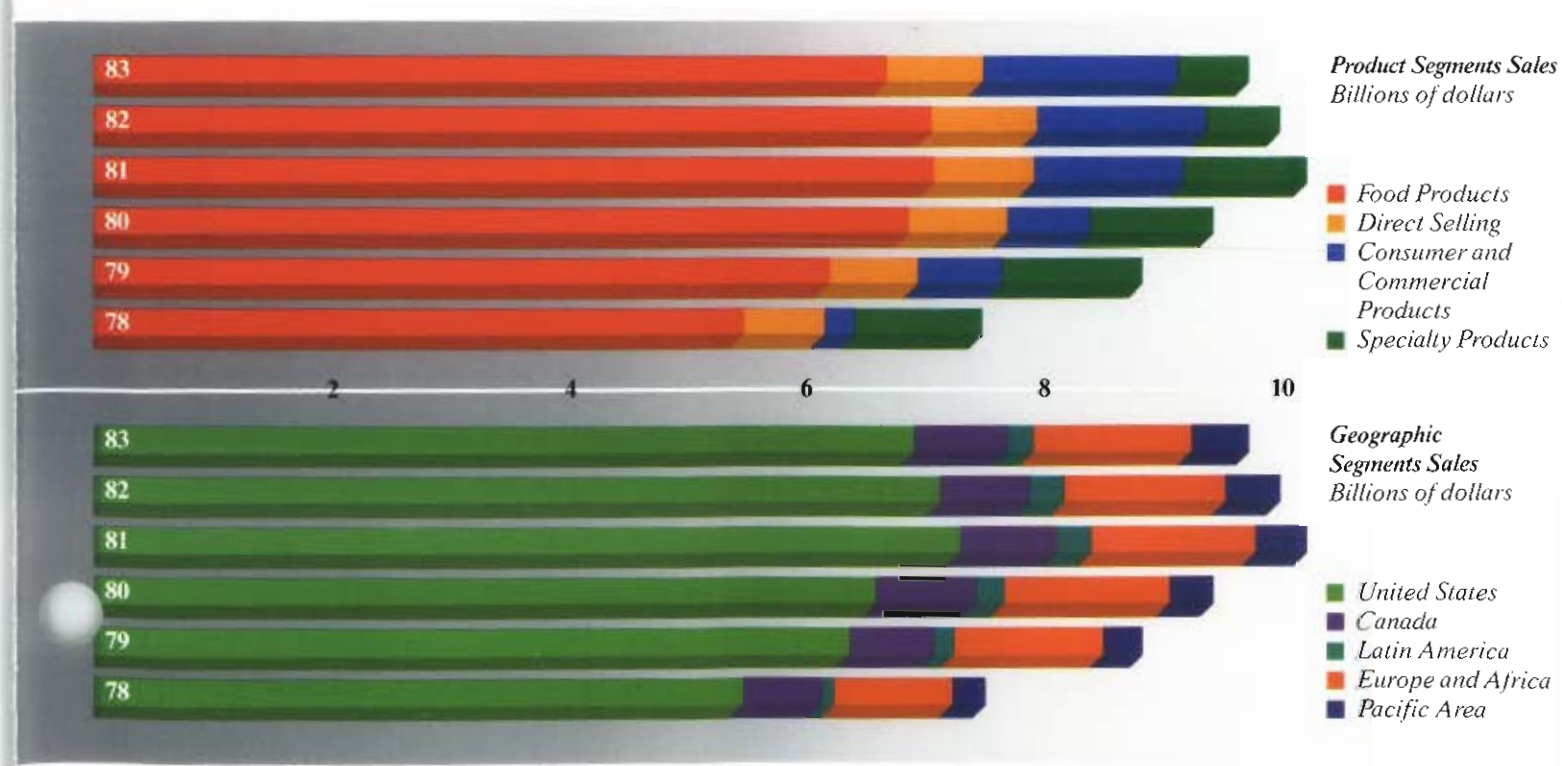
Results of Operations

Net Sales and Net Income. Dart & Kraft's net sales in 1983 were $9.71 billion, a decrease of $260 million, or 3 percent from 1982, primarily as a result of declines in Food Products and Direct Selling segment sales. Excluding discontinued operations, sales decreased 1 percent. U.S. sales were down 3 percent from last year, a significant portion being attributable to discontinued operations. All other geographical segments, except Latin America, had sales increases in 1983. The decline in foreign currency values versus the U.S. dollar, in excess of local inflation, accounted for the decline in Latin America.

Net income in 1983 increased 24 percent to $435 million, or $7.92 per share. Operating profit, which excludes nonoperating and foreign currency items, was $463 million, or $8.42 per share, up 9 percent from $7.74 per share, or $423 million last year. The increase in profit came from strong gains by Kraft, Duracell, Hobart, West Bend and Specialty Products, offset somewhat by a decline at Tupperware. Foreign currency translation and transaction losses amounted to 50 cents per share compared with 18 cents in 1982. There were no nonoperating items in 1983, compared with a net charge of $1.16 per share last year, which included the provision for restructuring of the Kraft European operations.

Net sales in 1982 declined $237 million, or 2 percent from 1981. Excluding the effect of discontinued operations, principally Thatcher Glass Manufacturing Company, sales of continuing operations increased 3 percent. On a geographic basis, sales in the United States declined 2 percent due to the Thatcher Glass divestiture. Similarly, sales in Canada declined 9 percent resulting from the sale of Dominion Dairies Limited of Canada in 1981.

Net income in 1982 was $350 million, or $6.40 per share, compared with $348 million, or $6.36 per share in 1981. Operating profit, exclusive of nonoperating and foreign currency items, was $423 million, an increase of 12 percent over 1981. The increase was attributable to the Kraft and Hobart businesses, coupled with lower net interest expense. Foreign currency and nonoperating items amounted to $1.34 per share, compared with 56 cents in 1981.



Food Products. Sales of the Food Products segment were down 5 percent in 1983 and operating profit rose 13 percent. The sales decline was due to the continued withdrawal from certain fluid milk markets, the discontinuance of low-margin products in Europe and adverse foreign exchange rates, partially offset by higher selling prices. Cheese and margarine sales in the United States were negatively impacted by the government's dairy surplus distribution program. Operating profit rose as the Retail Food, Foodservice, Industrial Foods and International Groups, as well as Kraft Canada, all reported significant profit gains. In the Retail Food Group, salad dressing products contributed to the strong earnings growth. Foodservice gained in operating profit as a result of an expanded sales force following the restructuring of the organization in 1982. Industrial Foods achieved higher operating profit due to higher margins and a more profitable product mix. Kraft International reported a strong operating profit increase and Canadian operations had a record performance.

In 1982, Food Products sales were down slightly from 1981 while operating profit increased 9 percent. The decline in sales was due to the effect of discontinued operations, including the withdrawal from fluid milk markets, and adverse foreign exchange rates which more than offset selling price increases. The gain in operating profit was attributable to increased tonnages in all major product lines, except for citrus products and fluid milk. Both domestic and international operations had growth in profits.

Direct Selling. Direct Selling segment sales and operating profit for 1983 declined 7 percent and 15 percent, respectively. Part of this decline was attributable to an 8-percent decrease in the U.S. dealer force from 1982's record level. Also contributing to the decline was the strengthening of the U.S. dollar against currencies of other countries where Tupperware has operations. Worldwide volume was down from 1982, primarily in the United States as a result of the smaller dealer force. Despite the difficult economic environment which existed in many countries, the number of dealers in Tupperware's foreign operations increased 7 percent. Operating profit in the international operations declined in 1983, as translations at lower exchange rates more than offset the effect of higher selling prices.

In 1982, sales increased 2 percent while operating profit declined 3 percent. The higher sales were attributable to the combination of a volume increase of 4 percent and higher selling prices, partially offset by unfavorable currency rates. Tupperware's U.S. operations had record sales while international sales were down. Operating profit declined in 1982 as the domestic increase was more than offset by a decline in international operations.

Consumer and Commercial Products. The Consumer and Commercial Products segment achieved a 16-percent increase in sales in 1983, and operating profit rose 43 percent. Duracell, Hobart and West Bend all contributed to the gain. At Duracell, sales and operating profit increased 32 percent and 40 percent, respectively, due to strong results in the United States and to the contribution of the continental European battery operations of British Ever Ready, which were acquired in late 1982. Volume, excluding the acquisition, increased 15 percent in 1983. Hobart experienced an 8-percent increase in sales and a 45-percent increase in operating profit based on higher unit volume in domestic commercial equipment and *KitchenAid* appliance lines, coupled with continuing productivity improvements. Worldwide volume increased 6 percent over 1982. West Bend posted a 2-percent gain in sales, while operating profit rose 24 percent to a record level. Most of the gain was attributable to cost reduction measures.

In 1982, segment sales rose 14 percent with a 34-percent increase in operating profit. The increase in sales and operating profit was mainly attributable to the inclusion of Hobart for a full year in 1982, versus a partial year in

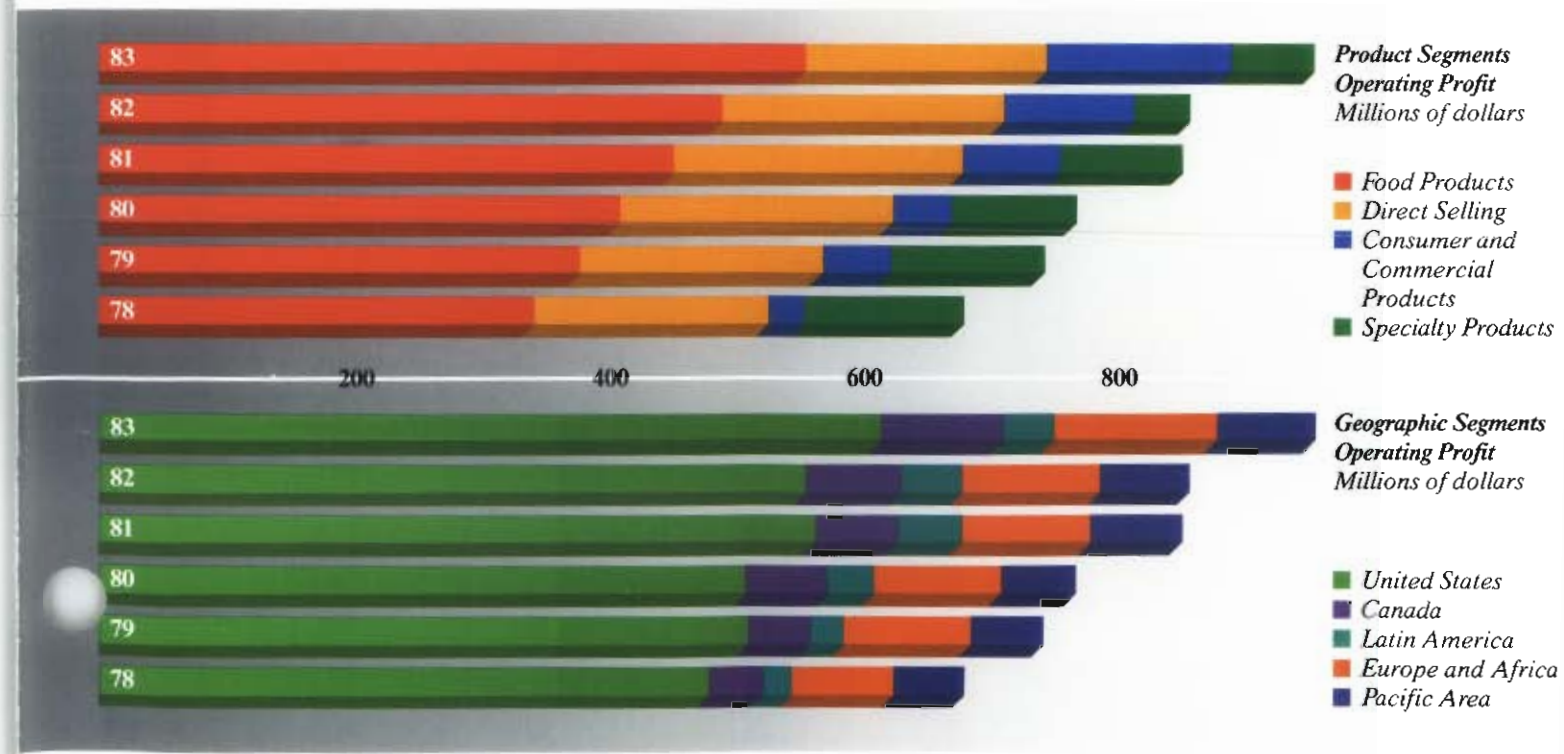
1981. Duracell had an 8-percent sales increase in 1982, due equally to greater volume and higher selling prices. Operating profit rose modestly as increased volume in Europe offset a decline in U.S. operations. West Bend's sales in 1982 were flat and operating profit rose slightly on a strong performance in its Specialty Steel Division.

Specialty Products. Operating profit in the Specialty Products segment rose 48 percent in 1983, although total segment sales declined 6 percent. On a continuing-operations basis, sales were up 17 percent with nearly all of the increase coming from higher volume. The segment's decorative building products operation sharply increased sales and operating profit as a result of the accelerated rate of new housing starts in 1983 and an aggressive thrust into office and commercial applications. Plastic Specialties operations achieved a strong operating-profit growth as the improved economy and cost reduction efforts took effect.

In 1982, on a continuing-operations basis, sales and operating profit were down 3 percent and 34 percent, respectively. Nearly all of the decline was due to volume as the recession continued to affect many of this segment's primary customers in the construction and automobile industries.

Interest Expense and Income. Interest expense was $87 million in 1983 compared with $116 million in 1982 and $127 million in 1981. The decrease of $29 million in 1983 was due to a decline in average borrowings and lower short-term interest rates. Interest expense in 1982 was down from the previous year as a result of short-term borrowings made in 1981 related to the Hobart acquisition. In 1983, the weighted average interest rate for short-term borrowings was 16.5 percent, compared with 17.1 percent in 1982 and 20.5 percent in 1981.

Interest income increased $4 million in 1983, following a $23-million increase in 1982. In 1983, average funds invested during the year rose $250 million; however, prevailing interest rates were substantially below those in 1982. The increase in 1982 over 1981 was attributable to a higher level of average funds invested during the year and higher interest rates.



Other Income. Other income in 1983 was $5 million compared with $46 million in 1982 and $68 million in 1981. In both 1983 and 1982, the most significant factor accounting for the decrease was foreign currency translation and transaction items.

Nonoperating Items. There were no nonoperating items in 1983 as opposed to nonoperating losses of $91 million in 1982 and $108 million in 1981.

In 1982, nonoperating items included a $111-million provision to cover Kraft's restructuring of its European operations.

Included in 1981 was a $116-million loss on the sale of Thatcher Glass.

Income Taxes. The effective tax rate on income was 46.7 percent in both 1983 and 1982, and 46 percent in 1981. Although the overall effective tax rate remained constant in 1983 versus 1982, the rate for 1983 was negatively impacted by lower investment tax credit and higher foreign currency translation losses in Latin America without corresponding tax benefits. The effect of these factors was offset by the unfavorable tax rate applicable to the provision for the restructure of Kraft European operations in 1982.

The slight increase in the effective tax rate in 1982 compared with 1981 was due primarily to the tax rates applicable to nonoperating and foreign currency items.

Inflation. The worldwide rate of inflation has moderated in recent years, and accordingly, does not have as great an impact on the company's reported earnings, shareholders' equity and other reported financial data, as was the case in past years. For an evaluation of the impact of inflation, see Effects of Inflation on Dart & Kraft, starting on page 57.

Financial Condition

Liquidity and Capital Resources. Internally generated cash from operations is Dart & Kraft's principal source of funds available to the company. Cash provided from operations was $935 million in 1983 compared with $740 million in 1982 and $342 million in 1981.

The company continues to be in a strong financial position. Working capital at the end of 1983 and 1982 was $1.7 billion. The current ratio was 2.1 for both years. Cash and temporary investments were $820 million at December 31, 1983, compared with $473 million at the end of 1982. Accounts receivable days outstanding were equivalent to last year and days supply in inventory decreased slightly.

In May 1983, the company invested $30 million in tax benefit transfer leases to purchase tax credits and related deductions from an electric cooperative. After related tax benefits realized in 1983, the net investment was $12 million at year end.

During the second quarter of 1983, Dart & Kraft received $67.5 million in proceeds of notes issued by Dart Resorts Inc., which became an unconsolidated subsidiary during that quarter.

In November 1983, the company issued $85 million of debentures in the Eurobond market. A major portion of the net proceeds was used to fund the redemption of two issues of subordinated debentures of Dart Industries Inc.

In addition to internally generated funds, Dart & Kraft also has numerous sources of financing available, including commercial paper, bank loans and other forms of financing in worldwide financial markets, to meet seasonal requirements. At December 31, 1983, the company had approximately $1,227 million of available borrowing under its lines of credit, including a $755-million revolving credit agreement with 21 banks for general corporate purposes, including acquisitions.

Long-term debt decreased $53 million in 1983. At December 31, 1983 and 1982, long-term debt as a percentage of total capitalization was 16 percent and 18 percent, respectively.

Capital Expenditures. Dart & Kraft's expenditures for new and improved facilities were $212 million in 1983, compared with $336 million in 1982 and $346 million in 1981.

Expenditures in 1982 and 1981 included $103 million and $38 million, respectively, for company vehicles. Beginning in 1983, such vehicles are leased through Dart & Kraft Financial Corporation, an unconsolidated subsidiary, which is in the vehicle leasing business.

In 1983, approximately 66 percent of the capital expenditures were for improved efficiency and replacement of existing facilities and 34 percent for expansion. Last year, 57 percent was for efficiency and replacement and 43 percent for expansion. Expenditures in 1983 were approximately $143 million in the United States, $14 million in Canada and $55 million in other countries.

Capital expenditures in 1984 are estimated to be $250 million.

Common Stock Market Prices and Dividends

The principal market for the company's common stock is the New York Stock Exchange.

The quarterly market price ranges of Dart & Kraft common stock during 1983 and 1982 are as follows:

	1983		1982	
	High	Low	High	Low
First Quarter	74¾	63	52⅜	48¼
Second Quarter	77¾	65	54½	50¼
Third Quarter	70½	63⅜	60½	50¾
Fourth Quarter	73	64⅜	72¼	58⅝

Dividends paid to shareholders totaled $210 million in 1983, compared with $197 million in 1982 and $185 million in 1981.

The company's quarterly dividends were 96 cents per share in 1983, 90 cents per share in 1982 and 85 cents per share in 1981. Although dividends are reviewed quarterly, there is normally a particular Board meeting during the year at which an increase in the dividend is considered in depth. Beginning in 1984, this consideration will take place at the May meeting, which will allow for a more informed assessment of financial trends.

On February 17, 1984, there were approximately 73,986 holders of record of the company's common stock.

Debt to Equity Ratio
Percent

Consolidated Statement of Income

Dart & Kraft, Inc. and Subsidiaries

(Amounts in millions, except per share)

Years Ended December 31,	1983	1982	198
Net sales	$ 9,714.0	$ 9,974.4	$10,211.0
Costs and expenses:			
Cost of products	6,683.4	7,098.1	7,452.4
Delivery, sales and administrative expense	2,200.6	2,122.2	1,989.8
Interest expense	86.5	115.6	126.6
Interest income	(68.0)	(63.6)	(40.9)
Other income, net	(5.2)	(46.0)	(68.4)
Total	8,897.3	9,226.3	9,459.5
Income from operations	816.7	748.1	751.5
Nonoperating items	—	(90.7)	(107.6)
Income before taxes	816.7	657.4	643.9
Provision for taxes on income	381.6	307.1	296.4
Net income	$ 435.1	$ 350.3	$ 347.5
Net income per common and common equivalent share	$ 7.92	$ 6.40	$ 6.36
Average number of common and common equivalent shares	55.0	54.8	54.6

See Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Financial Position

Dart & Kraft, Inc. and Subsidiaries

(In millions)

Years Ended December 31,	1983	1982	1981
Cash provided from operations			
Net income	$ 435.1	$ 350.3	$ 347.5
Items not resulting in cash flow:			
Depreciation and amortization	178.6	212.4	204.8
Deferred taxes on income	74.5	10.8	70.8
Provision for divestitures and restructuring of Kraft Europe	—	111.0	22.1
(Increase) decrease in working capital (except cash, temporary investments and borrowings) adjusted for translation	246.5	55.4	(303.1)
Cash provided from operations	934.7	739.9	342.1
Dividends paid	(210.4)	(197.0)	(185.3)
Investments			
Capital expenditures	(211.9)	(336.1)	(345.6)
Book value of properties sold	48.9	79.4	214.6
Funds received from unconsolidated subsidiaries	67.5	107.7	—
Acquisition of businesses, less working capital acquired	(7.4)	(20.8)	(202.9)
(Increase) decrease in investments and long-term receivables	(109.3)	(31.1)	44.5
Increase (decrease) in other liabilities	3.6	(12.6)	(9.8)
(Increase) decrease in prepaid employee benefit and pension costs	(86.1)	15.6	—
Other	(32.9)	(.8)	(5.7)
Cash used for investments	(327.6)	(198.7)	(304.9)
Financing			
Increase (decrease) in long-term debt	(55.9)	39.0	(23.3)
Increase (decrease) in short-term borrowings	6.2	(87.8)	22.1
Cash used for financing	(49.7)	(48.8)	(1.2)
Increase (decrease) in cash and temporary investments	$ 347.0	$ 295.4	$(149.3)

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

Dart & Kraft, Inc. and Subsidiaries

December 31,	1983	198
	(Dollars in millions)	
Assets		
Cash	$ 119.7	$ 75.0
Time deposits and certificates of deposit	305.1	388.8
Temporary investments, at cost which approximates market	395.2	9.2
Total cash and temporary investments	820.0	473.0
Trade accounts and notes receivable	834.3	850.7
Other receivables	106.3	130.7
Less—Allowance for doubtful accounts and notes	(30.1)	(30.4)
	910.5	951.0
Inventories	1,625.8	1,741.3
Total current assets	3,356.3	3,165.3
Investments and long-term receivables (less allowance of $9.2 in 1983 and $9.8 in 1982)	282.8	241.0
Prepaid and deferred items	173.8	91.
Property, plant and equipment:		
Land	51.7	52.9
Buildings and improvements	729.5	735.2
Machinery and equipment	1,684.4	1,665.8
Construction in progress	82.0	61.8
	2,547.6	2,515.7
Less—Accumulated depreciation	(1,117.9)	(1,043.2)
	1,429.7	1,472.5
Intangibles, less amortization	175.5	163.9
Total assets	$ 5,418.1	$ 5,133.8

December 31,	(Dollars in millions, except par value) 1983	1982
Liabilities and Shareholders' Equity		
Accounts and drafts payable	$ 501.9	$ 494.8
Short-term borrowings	118.2	112.0
Accrued payroll	112.3	112.8
Other accrued liabilities	518.5	444.9
Taxes on income	344.9	298.0
Current portion of long-term debt	21.4	24.3
Total current liabilities	1,617.2	1,486.8
Long-term debt	563.3	616.3
Deferred taxes on income	183.5	129.4
Other liabilities	131.4	127.8
Shareholders' equity:		
Preferred stock, $5.00 par value, authorized 50,000,000 shares; issued—none	—	—
Common stock, $2.50 par value, authorized 200,000,000 shares; issued 54,879,024 shares in 1983 and 54,787,900 shares in 1982	137.2	137.0
Capital surplus	349.1	344.5
Retained earnings	2,697.7	2,473.0
Less—Treasury stock, 51,474 shares in 1983 and 42,441 shares in 1982, at cost	(2.4)	(1.9)
Unearned portion of restricted stock issued for future services	(1.9)	(2.5)
Cumulative foreign currency adjustments	(257.0)	(176.6)
Total shareholders' equity	2,922.7	2,773.5
Total liabilities and shareholders' equity	$5,418.1	$5,133.8

See Notes to the Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

Dart & Kraft, Inc. and Subsidiaries

(Dollars in millions)

For the Three Years Ended December 31, 1983	Number of Shares		Amounts				
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus	Retained Earnings	Cumulative Foreign Currency Adjustments
Balance December 31, 1980	54,439,756	400	$136.1	$ —	$330.0	$2,157.5	$ —
1981 net income						347.5	
Cash dividends						(185.3)	
Stock Ownership Plan	1,000	4,049		(.2)			
Stock options exercised	138,931	8,320	.3	(.4)	4.9		
Other	252						
Effect of restatement to a current rate basis on January 1, 1981							6.3
Translation adjustments							(76.9)
Balance December 31, 1981	54,579,939	12,769	136.4	(.6)	334.9	2,319.7	(70.6)
1982 net income						350.3	
Cash dividends						(197.0)	
Stock Ownership Plan	81,965	22,950	.3	(.9)	4.2		
Stock options exercised	116,350	6,722	.3	(.4)	4.9		
DM bond conversion	9,057				.5		
Other	589						
Translation adjustments							(106.)
Balance December 31, 1982	54,787,900	42,441	137.0	(1.9)	344.5	2,473.0	(176.6)
1983 net income						435.1	
Cash dividends						(210.4)	
Stock Ownership Plan	14,070	7,510		(.4)	.9		
Stock options exercised	66,617	1,523	.2	(.1)	3.1		
DM bond conversion	10,433				.6		
Other	4						
Translation adjustments							(80.4)
Balance December 31, 1983	54,879,024	51,474	$137.2	$(2.4)	$349.1	$2,697.7	$(257.0)

See Notes to the Consolidated Financial Statements.

Note 1: Summary of Significant Accounting Policies

Basis of Consolidation. The consolidated financial statements include the accounts of the company and all significant subsidiaries. Investments in subsidiaries engaged in businesses dissimilar to the company's principal operations are accounted for by the equity method and, in the aggregate, are not significant. All significant intercompany accounts and transactions are eliminated in consolidation.

Translation of Foreign Currencies. In 1981, the company adopted the Financial Accounting Standards Board's standards for translating foreign currency financial statements. For subsidiaries other than those located in high-inflationary countries, assets and liabilities are translated at the rates of exchange on the balance sheet date. Income and expense accounts are translated at the average rates of exchange during the year. Translation gains and losses are reported in shareholders' equity. Foreign currency gains and losses resulting from transactions and the translation of financial statements of subsidiaries in high-inflationary countries are included in net income. Net income included losses of $27.6 million in 1983 and $9.7 million in 1982, and gains of $23.7 million in 1981.

In 1981, the implementation of the new standards increased net income by $41 million over net income computed under the previous rules. Years prior to 1981 were not restated to give effect to the change.

Inventory Valuation. Inventories are valued at the lower of cost or market. For substantially all food products, cost is determined using the average cost method. For most other products, the first-in, first-out method is used. Inventory cost includes costs of raw material, labor and overhead. Because of the nature of the business, it is impracticable to segregate inventories into raw materials, work in process and finished goods.

Property and Depreciation. Properties are stated at cost. Depreciation is determined on a straight-line basis over estimated useful lives. For certain machinery and equipment, depreciation is determined on a composite basis over estimated group lives. The rates of depreciation for buildings and improvements are 2 percent to 33⅓ percent and for machinery and equipment, 5 percent to 33⅓ percent.

On routine disposals of depreciable assets accounted for on a composite basis, the gross book value less the proceeds or salvage value is charged to accumulated depreciation. On all other sales or retirements of property, plant and equipment, gain or loss is recognized. Expenditures for maintenance and repairs are charged to expense.

Intangibles. The excess of cost over net assets of businesses acquired and other intangibles are being amortized over periods ranging up to 40 years.

Advertising and Research and Development Costs. Advertising and research and development costs are charged to expense as incurred.

Undistributed Earnings of International Subsidiaries. Federal income taxes are provided on the portion of each international subsidiary's earnings that is not expected to be invested permanently. At December 31, 1983, approximately $645 million of such undistributed earnings were considered to be invested permanently.

Interest Capitalization. The company capitalizes the interest cost associated with large capital expenditure projects of long duration. Interest capitalized was $.8 million in 1983, $2.6 million in 1982 and $9.6 million in 1981.

Net Income Per Share. Net income per common and common equivalent share is based upon the weighted average number of common shares actually outstanding during the period increased by the effect of dilutive stock options. No material dilution would result from conversion of the company's 7½% DM convertible bonds.

KRAFT
triple timer
Super Blend
STIR CRAZY

Note 2: Financing Arrangements

The short-term borrowings and the long-term debt of the company are summarized below:

Short-Term Borrowings *(In millions)*

December 31,	1983 Amount	1983 Weighted Average Interest Rate	1982 Amount	1982 Weighted Average Interest Rate	1981 Amount	1981 Weighted Average Interest Rate
Commercial paper	$ 74.1	9.9%	$ 3.2	11.1%	$ 33.6	15.3%
Bank loans and notes	44.1	12.8	108.8	24.7	157.0	23.8
	$118.2	10.9%	$112.0	24.3%	$190.6	22.3%
Average short-term borrowings	$132.3	16.5%	$283.7	17.1%	$404.1	20.5%
Maximum short-term borrowings	$196.4	—	$461.5	—	$567.1	—

The average borrowings and weighted average interest rates were determined by using period-end borrowings and the interest rates applicable to them.

The company had unused lines of credit amounting to $1,227 million at December 31, 1983, including a $755-million revolving credit agreement.

Long-Term Debt *(In millions)*

December 31,	1983	1982
4⅜%-9⅛% sinking fund debentures due 1992-2007	$258.5	$275.6
4%-15¼% notes due 1985-1995	165.4	177.4
7¾% debentures due 1998	60.5	—
4¼%-4¾% subordinated debentures due 1987-1997	—	80.0
8¼% secured notes due 1985-1991	—	3.9
7½% DM convertible bonds due 1985	12.0	18.1
Other	66.9	61.3
Total long-term debt	$563.3	$616.3

The amounts shown as outstanding by the company at December 31, 1983, exclude amounts provided for payment and sinking fund requirements included in current liabilities and $77.3 million of debentures held in treasury in excess of current sinking fund requirements.

Excluded from debt and assets are certain borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts. In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation. At December 31, 1983, these loans totaled $67.6 million.

In November 1983, the company issued in the Eurobond market $85 million of 7¾% debentures due in 1998, together with warrants to purchase 854,675 shares of common stock of Minnesota Mining and Manufacturing Company which were acquired in connection with a divestiture in 1970. A major portion of the net proceeds was used to fund the redemption of two issues of exchangeable subordinated debentures aggregating $80 million.

Total principal payments due on long-term debt, after deducting amounts held in treasury, in the five years subsequent to December 31, 1983, are as follows: 1984—$21.4 million; 1985—$36.2 million; 1986—$20.8 million; 1987—$105.6 million; 1988—$33.0 million.

Under an agreement with Dart & Kraft Financial Corporation, an unconsolidated subsidiary, the company has undertaken certain support obligations in connection with the borrowings of that subsidiary, including the obligation to make payments, if required, to Financial sufficient to cause Financial's pretax earnings before interest expense to be at least 1.15 times its interest expense. At December 31, 1983, $219.0 million of such borrowings, which are not guaranteed by Dart & Kraft, were outstanding at a weighted

Sealtest
Cracker Barrel
WEST BEND

verage interest rate of 9.9 percent.

In addition, under an agreement with Dart Resorts Inc., an unconsolidated subsidiary, the company has undertaken certain contingent payment obligations with respect to notes issued by that subsidiary in 1983. At December 31, 1983, $67.5 million of such notes, which are not guaranteed by Dart & Kraft, were outstanding at a weighted average interest rate of 11.3 percent.

The undistributed earnings of consolidated subsidiaries account for substantially all of the company's retained earnings.

Operating Leases. Rental expense for operating leases (reduced by sublease income of approximately $4 million in 1983, $6 million in 1982 and $4 million in 1981) totaled $87.1 million in 1983, $83.4 million in 1982 and $83.6 million in 1981. Approximate minimum rental commitments under noncancelable operating leases in effect at December 31, 1983, are: 1984—$44.0 million; 1985—$34.5 million; 1986—$28.1 million; 1987—$24.5 million; 1988—$22.6 million; and, after 1988—$99.2 million. Future sublease rentals receivable total $8.2 million.

Seamless

Note 3: Stock Options

During 1983, options to purchase 66,617 shares under various stock option plans of the company were exercised at prices ranging from $28.25 to $68.75 per share, and options for 41,586 shares lapsed or were cancelled or voided. Options for 555,500 shares were granted during the year and, at December 31, 1983, 1,036 employees (including officers) held options under stock option plans of the company to purchase 1,445,182 shares at prices ranging from $28.25 to $72.45 per share. At that date, options for 567,175 shares were exercisable and 673,444 shares were reserved for future option grants. Proceeds from options exercised during the periods were reflected in the treasury stock, common stock and capital surplus accounts. No charges have been reflected in income for any period with respect to stock options.

Stock appreciation rights granted to holders of certain options allow the election to surrender these options for payment of an amount in cash or common stock, in the discretion of the administering committee, equal to the excess of the fair market value at the surrender date over the option price of the options surrendered. Compensation expense associated with these stock appreciation rights was not significant.

ACCO

PARKAY

KitchenAid

Note 4: Foreign Currency

Currency exchange rate fluctuations can affect the carrying value of an investment in a foreign subsidiary. For subsidiaries located in countries not experiencing a high rate of inflation, the effects of such rate fluctuations are recorded directly in shareholders' equity and are not included in net income.

The cumulative amounts included in equity at the beginning and end of 1983, together with changes during the year, by geographic segment are as follows:

(In millions)

Cumulative Foreign Currency Adjustments (Loss)	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Balance December 31, 1982	$(10.6)	$(33.0)	$(104.4)	$(28.6)	$(176.6)
Changes in 1983	(1.2)	(26.4)	(39.2)	(13.6)	(80.4)
Balance December 31, 1983	$(11.8)	$(59.4)	$(143.6)	$(42.2)	$(257.0)

For subsidiaries in countries with a high rate of inflation, the effect of rate changes arising from translation are included in net income. In addition, gains and losses arising from foreign currency transactions are included in net income. In 1983, foreign currency gains and losses included in net income by geographical segment were as follows:

(In millions)

Gain (Loss)	U.S.	Canada	Latin America	Europe & Africa	Pacific Area	Worldwide Total
Translation	$ —	$ —	$(13.2)	$ —	$ —	$(13.2)
Transaction	(4.6)	(.1)	(8.2)	(6.9)	.2	(19.6)
	$(4.6)	$(.1)	$(21.4)	$(6.9)	$ .2	$(32.8)
Income taxes	(1.7)	—	(1.6)	(1.9)	—	(5.2)
Net gain (loss)	$(2.9)	$(.1)	$(19.8)	$(5.0)	$ .2	$(27.6)

Note 5: Income Taxes

Provision for taxes on income consists of the following:

(In millions)

Years Ended December 31,	1983	1982	1981
Payable currently:			
Federal	$166.7	$172.1	$105.1
Foreign	108.5	98.0	94.2
State	31.9	26.2	24.3
	307.1	296.3	225.6
Tax effects of timing differences:			
Federal	68.8	21.6	65.3
Foreign	2.0	(15.3)	(.9)
State	3.7	4.5	6.4
	74.5	10.8	70.8
Provision for taxes on income	$381.6	$307.1	$296.4

The tax effects of timing differences, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, are as follows:

			(In millions)
Years Ended December 31,	1983	1982	1981
Depreciation	$ 56.0	$ 39.3	$ 15.5
Inventory valuation method	(4.1)	(2.2)	61.5
Accrued taxes and other expenses not deductible until paid	(27.0)	(5.5)	(2.6)
Provision for elimination, change or sale of certain operations	1.5	(20.0)	(3.6)
Pre-funded employee benefits	47.8	—	—
Other	.3	(.8)	—
Tax effects of timing differences	$ 74.5	$ 10.8	$ 70.8

Income taxes charged to income differ from an amount computed using the U.S. federal income tax rate as follows:

			(In millions)
Years Ended December 31,	1983	1982	1981
Amount computed using the statutory rate	$375.7	$302.4	$296.2
Increase (reduction) in taxes resulting from:			
State taxes	19.2	16.6	15.0
Foreign income	4.7	7.2	(5.7)
Provision for restructuring of Kraft Europe	—	20.0	—
Investment tax credit (flow-through method)	(13.0)	(18.5)	(14.0)
Other	(5.0)	(20.6)	4.9
Provision for taxes on income	$381.6	$307.1	$296.4

Income before taxes was as follows:

			(In millions)
Years Ended December 31,	1983	1982	1981
Domestic	$568.0	$525.8	$416.8
Foreign	248.7	131.6	227.1
Total income before taxes	$816.7	$657.4	$643.9

Dart & Kraft Financial Corporation, while unconsolidated for financial reporting, is included in Dart & Kraft's consolidated U.S. federal and state income tax returns. Taxes provided by the consolidated companies shown in the preceding table include the effect of significant tax credits and deductions of Financial arising primarily from its leasing activities.

Velveeta
Breyers
PHILADELPHIA
DAIMON

Note 6: Employee Benefit and Other Related Plans

Pension Plans. The company has several pension plans covering substantially all U.S. employees and certain employees in other countries. In addition to its own pension plans, the company contributes to various joint industry and union pension plans. The total pension expense for all plans was $43.1 million in 1983, $45.3 million in 1982, and $43.1 million in 1981. It is the company's general policy to provide and to fund current service costs and interest on unfunded prior service costs annually, and to amortize past service costs over periods of 10 to 30 years. A comparison of accumulated plan benefits and plan net assets for all of the company's domestic defined benefit plans, as of the latest valuation dates, is presented below.

(In millions)		
January 1,	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	$627.5	$566.2
Nonvested	33.7	34.0
	$661.2	$600.2
Net assets available for benefits	$958.7	$819.4

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for these plans was 8.0 percent for 1983 and ranged from 6.5 to 8.0 percent in 1982. The company's pension plans outside the United States are not required to report to certain governmental agencies pursuant to ERISA and do not, in all cases, otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those plans for which a determination was made, the total of the pension funds and accruals exceeded the most current actuarially computed value of vested benefits as of December 31, 1983 and 1982. For various joint industry and union-sponsored plans, information is not available from the plans' sponsors to permit the company to determine its share of unfunded vested benefits.

There also is a thrift plan and a company profit-sharing plan. The total cost of these plans was $22.1 million in 1983, $22.7 million in 1982, and $18.3 million in 1981.

Incentive Plans. Under year-to-year profit incentive compensation plans, key employees, including officers of the company, earned approximately $22.7 million for 1983, and $20.9 million for 1982 and 1981. These plans covered 1,105 employees for 1983, 1,181 employees for 1982 and 1,144 employees for 1981, and did not include any director of the company who was not an employee.

A restricted stock plan provides for awards of common stock to selected employees, subject to forfeiture if employment terminates prior to the end of the prescribed restricted period. At December 31, 1983, certain employees held 105,770 shares of restricted common stock of the company. The company's Performance Unit Plan provides for awards of cash and/or common stock of the company to selected employees, based upon the attainment of prescribed performance criteria. At December 31, 1983, 1,914,585 shares were reserved for issuance under these plans.

Note 7: Contingencies

The company and its subsidiaries are parties against whom are pending a number of legal and administrative proceedings (including several private actions, some seeking treble damages, based on alleged violation of the antitrust laws) which are incidental to the business. In the opinion of the company's General Counsel, the outcome of such proceedings will not affect materially the company's consolidated financial position or operations.

Note 8: Nonoperating Items

There were no nonoperating items in 1983. Nonoperating items in 1982 and 1981 consisted of the following:

(In millions)

Gain (Loss)	Before taxes on income	After taxes on income
1982		
Provision for restructure of Kraft Europe (third quarter)	$(111.0)	$(79.9)
Gain on disposition of properties (third quarter)	4.9	8.4
Gain on repurchase of company bonds (primarily first quarter)	7.2	3.7
Gain from antitrust settlements	8.2	4.2
	$(90.7)	$(63.6)
1981		
Loss on disposition of businesses (primarily fourth quarter)	$(102.0)	$(56.1)
Gain from antitrust settlements	16.5	8.4
United Kingdom tax credit (third quarter)	—	5.1
Provision for loss on divestitures (primarily fourth quarter)	(22.1)	(11.2)
	$(107.6)	$(53.8)

Note 9: Business Combinations and Dispositions

In 1982, Kraft initiated a plan to restructure its European and certain small international and domestic food operations. A provision of $111 million was recorded in the third quarter to cover the estimated cost of this action. In December 1982, the continental European battery business of British Ever Ready Ltd. was acquired for $60 million.

Hobart Corporation was acquired in March 1981. The acquisition was accounted for as a purchase, and the results of its operations have been included in the Consolidated Statement of Income commencing April 1, 1981. In December 1981, the company sold Thatcher Glass Manufacturing Co. for $120 million in cash, and securities valued at $17.9 million. The sale resulted in an after-tax loss of $1.20 per share.

Additionally, during the last three years, the company acquired and disposed of a number of other businesses. The combined sales and income before taxes of all of these other businesses are not material to the company's consolidated financial statements.

Note 10: Supplementary Statement of Income Information

(In millions)

Years Ended December 31.	1983	1982	1981
Maintenance and repairs	$158.1	$173.1	$185.8
Depreciation	171.3	189.3	198.2
Taxes other than payroll and taxes on income	38.3	36.2	37.0
Advertising	339.6	303.5	256.3
Research and development	73.6	86.5	73.2

DURACELL
HUMKO
Counterparts

Note 11: Segments of the Business

The company operates principally in four industries—food products, direct selling, consumer and commercial products, and specialty products.

Segments of Business by Classes of Products			(In millions)
Three-Year Summary	1983	1982	1981
Sales to unaffiliated customers:			
Food Products	$6,660.4	$7,041.1	$ 7,067.9
Direct Selling	825.1	890.1	869.1
Consumer and Commercial Products	1,645.2	1,420.0	1,243.2
Specialty Products	583.3	623.2	1,030.8
Net sales	$9,714.0	$9,974.4	$10,211.0
Operating profit:			
Food Products	$ 553.5	$ 488.5	$ 450.3
Direct Selling	189.3	222.4	229.1
Consumer and Commercial Products	146.3	102.0	75.9
Specialty Products	63.2	42.6	93.8
Total operating profit	$ 952.3	$ 855.5	$ 849.1
Corporate general expense	(84.3)	(48.8)	(52.4)
Foreign currency exchange gain (loss)	(32.8)	(6.6)	40.5
Interest expense, net	(18.5)	(52.0)	(85.7)
Nonoperating items	—	(90.7)	(107.6)
Income before taxes	$ 816.7	$ 657.4	$ 643.9
Identifiable assets:			
Food Products	$2,131.8	$2,364.8	$ 2,482.8
Direct Selling	462.7	485.3	603.9
Consumer and Commercial Products	1,248.3	1,283.8	1,266.0
Specialty Products	307.3	307.3	408.1
Corporate	1,268.0	692.6	292.5
Total identifiable assets	$5,418.1	$5,133.8	$ 5,053.8
Depreciation:			
Food Products	$ 73.2	$ 74.8	$ 75.7
Direct Selling	36.0	40.7	37.0
Consumer and Commercial Products	43.1	42.2	39.7
Specialty Products	14.2	17.8	41.7
Corporate	4.8	13.8	4.1
Total depreciation	$ 171.3	$ 189.3	$ 198.2
Capital expenditures:			
Food Products	$ 95.3	$ 119.9	$ 125.4
Direct Selling	40.7	85.5	74.1
Consumer and Commercial Products	51.9	42.5	53.2
Specialty Products	16.5	24.3	75.8
Corporate	7.5	63.9	17.1
Total capital expenditures	$ 211.9	$ 336.1	$ 345.6

gments of Business by Geographical Areas			(In millions)
Three-Year Summary	1983	1982	1981
Sales to unaffiliated customers:			
United States	$6,905.3	$7,129.5	$ 7,299.7
Canada	786.0	741.1	817.5
Latin America	209.5	302.1	297.6
Europe and Africa	1,349.7	1,347.2	1,371.3
Pacific Area	463.5	454.5	424.9
Net sales	$9,714.0	$9,974.4	$10,211.0
Operating profit:			
United States	$ 612.2	$ 554.5	$ 559.3
Canada	96.1	75.2	66.6
Latin America	39.1	47.4	49.3
Europe and Africa	129.2	109.8	102.6
Pacific Area	75.7	68.6	71.3
Total operating profit	$ 952.3	$ 855.5	$ 849.1
Identifiable assets:			
United States	$2,882.1	$3,031.0	$ 3,302.9
Canada	246.8	272.3	301.9
Latin America	140.1	197.5	212.6
Europe and Africa	582.9	653.8	634.8
Pacific Area	298.2	286.6	309.1
Corporate	1,268.0	692.6	292.5
Total identifiable assets	$5,418.1	$5,133.8	$ 5,053.8

The segments of Dart & Kraft consist of the following products and services: *Food Products*—cheese and related products, vegetable oil-based products, packaged foods, fluid milk products, frozen desserts and manufactured dairy products; *Direct Selling*—plastic food-preparation, storage and serving containers; and cosmetics, toiletries, giftware (sold in 1981); *Consumer and Commercial Products*—batteries and lighting products; commercial food equipment, dishwashers, cooking equipment and other home appliances; electric housewares, cookware and home physical fitness equipment; *Specialty Products*—chemical specialties, decorative laminates, foamed polystyrene products (sold in 1982 and 1983), glass containers (sold in 1981), paper containers, flexible packaging materials and disposable medical products.

Of these products, the only class that accounted for more than 10 percent of consolidated sales is cheese and related products, with sales of approximately $3.2 billion in 1983, 1982 and 1981.

In the two segment tables, intersegment sales were immaterial, except in the Specialty Products segment, which amounted to $32.4 million in 1983, $33.4 million in 1982 and $56.8 million in 1981.

Certain amounts for 1982 and 1981 in the segment tables have been restated to a comparable basis with 1983. Operating profit is net sales less cost of products and delivery, sales and administrative expense other than corporate general expense. Identifiable assets are those assets that are identified with the operations in each segment. Corporate assets are principally cash and investments, including investments in unconsolidated subsidiaries. Sales to a single customer did not exceed 10 percent of total sales. Export sales were insignificant.

As of December 31, 1983, the company's net investment in international operations was $816 million.

DURABEAM
Mirácoli
Tupperware

Note 12: Quarterly Financial Summary (Unaudited)

The following is a summary of the unaudited interim results of operations for the years ended December 31, 1983 and 1982.

(Dollars in millions, except per share)

Year Ended December 31, 1983	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,316.6	$2,395.1	$2,443.9	$2,558.4
Cost of products	1,598.1	1,632.9	1,688.6	1,763.8
Net income	98.5	107.5	110.7	118.4
Net income per common and common equivalent share	$ 1.79	$ 1.96	$ 2.01	$ 2.16

Year Ended December 31, 1982	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,439.4	$2,497.7	$2,496.3	$2,541.0
Cost of products	1,748.6	1,770.9	1,772.0	1,806.6
Net income	96.9	105.3	31.0	117.1
Net income per common and common equivalent share	$ 1.77	$ 1.93	$ .56	$ 2.14

Auditors' Report

To the Board of Directors and Shareholders of Dart & Kraft, Inc.:

We have examined the consolidated balance sheet of Dart & Kraft, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1983 and 1982, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain consolidated subsidiaries, whose net sales and total assets represent approximately 31% and 40% respectively, of the related consolidated totals, were examined by other auditors and we were furnished with their reports thereon.

In our opinion, based on our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc. and subsidiaries as of December 31, 1983 and 1982, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois
February 10, 1984

Responsibility for Financial Statements

The auditors' report expresses their opinion as to the fair presentation of the company's financial statements and conformity with generally accepted accounting principles. It is management's responsibility to see that such financial statements accurately reflect the financial position of the company and its operating results. All the financial information in the text of this annual report is consistent with that in the financial statements.

The company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the

ghest quality and integrity. The company also maintains an internal auditing function that continually evaluates the adequacy and effectiveness of such internal control, policies and procedures. The company's business ethics policy, which is regularly communicated to all key employees of the organization, requires employees to maintain the highest ethical standards in their conduct of company affairs.

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of the corporation, meets periodically with the external and internal auditors and with management to satisfy itself that each is properly discharging its responsibilities. (See page 60.)

WILSONART

The Effects of Inflation on Dart & Kraft (Unaudited)

The following supplemental information is required by the Financial Accounting Standards Board as part of its program to develop financial reporting that will reflect the burden of inflation on companies. The disclosures below provide a measure of the impact of inflation on Dart & Kraft, but they should be used with caution because the accounting techniques used are experimental in nature and because other companies may have used different assumptions and procedures.

Restatement under the current cost method adjusts historical costs to reflect changes in the prices of assets used or goods purchased for processing and sale. Constant dollar information has been restated from historical data by means of the U.S. Consumer Price Index.

Beginning in 1981, the data incorporates the effects of the newly adopted foreign currency translation standards. Prior years have not been restated.

Crisp-It

anges During 1983 in Cost of Inventories and Property, Plant and Equipment	*(In millions)*
Increase during 1983 in value of inventories and property, plant and equipment in constant dollars	$155.7
Increase during 1983 in current cost of these assets	159.5
Difference between increase in constant dollars and increase in current cost	$(3.8)

The current cost of inventory, $1,657.2 million, was determined primarily from actual market costs. Net property, plant and equipment's current cost of $2,271.3 million was calculated by the use of specialized indexes. Comparable historical amounts are $1,625.8 million and $1,429.7 million.

Cheez Whiz

1983 Net Income Adjusted for Inflation	*(In millions)*
Income before taxes as reported in the Consolidated Statement of Income	$816.7
Excess of current cost of products over historical cost of products (excluding depreciation)	(83.7)
Excess of current cost depreciation over historical depreciation*	(87.3)
Adjusted income before taxes	645.7
Provision for taxes on income as reported in the Consolidated Statement of Income	381.6
Adjusted net income	264.1
Purchasing power gain from net monetary position	21.1
Total	$285.2

** Total current cost depreciation was $258.6 million.*

Since existing tax laws only partially allow for the distorting effects of inflation, the effective tax rate of 59.1 percent on current cost income is substantially higher than the 46.7 percent effective rate on reported income.

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Sottilette

Wonderlier

VEGEMITE

Comparison of Selected Supplemental Financial Data	(Dollars in millions, except per share all current cost and constant dollar amounts in average 1983 dollars)				
	1983	1982	1981	1980	1979
Net sales					
—as reported	$9,714.0	$ 9,974.4	$10,211.0	$ 9,411.5	$ 8,824.5
—constant dollar	9,714.0	10,295.3	11,185.6	11,379.2	12,112.4
Net income					
—as reported	435.1	350.3	347.5	383.1	359.8
—current cost	264.1	230.5	220.1	260.4	237.5
Net income per common share					
—as reported	7.92	6.40	6.36	7.03	6.62
—current cost	4.81	4.21	4.03	4.78	4.36
Cash dividends* declared per common share					
Dart & Kraft					
—as reported	3.84	3.60	3.40	.80	
—constant dollar	3.84	3.72	3.72	.93	
Kraft					
—as reported				2.40	3.00
—constant dollar				2.95	4.12
Dart					
—as reported				1.50	1.80
—constant dollar				1.83	2.47
Net assets					
—as reported	2,922.7	2,773.5	2,718.0	2,620.5	2,382.9
—current cost	3,731.9	3,871.9	3,915.7	4,179.9	4,195
Foreign currency translation adjustments					
—as reported	(80.4)	(106.0)	(76.9)		
—current cost	(104.9)	(136.9)	(108.1)		
Purchasing power gain from net monetary position in constant dollars	21.1	39.3	97.1	93.3	115.6
Increase in the constant dollar value of inventories and property, plant and equipment over (under) the current cost value increase in constant dollars	(3.8)	(104.8)	81.7	167.6	86.7
Common stock price per share at year end					
—as reported	66.63	68.50	50.75	43.50	
—constant dollar	65.51	69.91	53.80	50.23	
Average U.S. Consumer Price Index	298.4	289.1	272.4	246.8	217.4

*1980 dividends—Dart & Kraft, fourth quarter only. Kraft and Dart Industries, first three quarters only.

Office of the Chairman

hn M. Richman
Chairman of the Board and
Chief Executive Officer

Warren L. Batts
President and
Chief Operating Officer

Vice Chairman

Arthur W. Woelfle
Chairman,
Kraft, Inc.

Group Vice Presidents

Michael Allik
President,
Specialty Products Group

E. M. Davis
President,
Hobart Corporation

Joseph Hara
President,
Tupperware International

William L. Jackson
President,
Duracell Inc.

Michael A. Miles
President and
Chief Operating Officer,
aft, Inc.

Corporate Staff

William W. Crawford
Senior Vice President,
General Counsel and Secretary

William B. Jordan
Senior Vice President,
Financial Affairs

Roger H. Willis
Senior Vice President,
Control and Systems
and Controller

Russell K. Bolton
Vice President and
Associate General Counsel

John M. Costigan
Vice President,
Investor Relations

John T. Kelly
Vice President and
Assistant General Counsel

Alan J. Lacy
Vice President and
Treasurer

Margaret P. MacKimm
Vice President,
Public Affairs

Thomas J. McHugh
Vice President,
Taxes

William A. Paterson
Vice President,
Auditing

Robert R. Schuldt
Vice President,
Management Development

Board of Directors

John M. Richman[2,4*,5]
Chairman of the Board and
Chief Executive Officer
Northbrook, Illinois

Warren L. Batts[4,5]
President and
Chief Operating Officer
Northbrook, Illinois

William O. Beers[2,4,5*]
Retired Chairman of the Board
and Chief Executive Officer
Kraft, Inc.
Chicago, Illinois

William O. Bourke[1,4,6]
President and
Chief Operating Officer
Reynolds Metals Company
Aluminum Products
Richmond, Virginia

Catherine B. Cleary[3*,6]
Retired Chairman of the Board
and Chief Executive Officer
First Wisconsin Trust Company
Trust Services
Milwaukee, Wisconsin

John D. deButts[2,3,5]
Retired Chairman of the Board
and Chief Executive Officer
American Telephone and
Telegraph Company
Communications
Upperville, Virginia

E. Mandell de Windt[2,3,6*]
Chairman of the Board and
Chief Executive Officer
Eaton Corporation
Industrial Products
Cleveland, Ohio

Lloyd C. Elam, M.D.[1,3]
Distinguished Professor
Meharry Medical College
Nashville, Tennessee

Joseph Hara
Group Vice President
Dart & Kraft and President
Tupperware International
Orlando, Florida

Robert S. Ingersoll[1*,4]
Former Chairman of the Board
and Chief Executive Officer
Borg-Warner Corporation
Manufacturing and Services
Chicago, Illinois

John F. McGillicuddy[2*,5]
Chairman of the Board and
Chief Executive Officer
Manufacturers Hanover
Corporation and Manufacturers
Hanover Trust Company
Commercial Banking
New York, New York

William D. Noël[1,3,6]
Chairman of the Board
Rexene Corporation,
El Paso Products Company and
El Paso Polyolefins
Chemicals and Plastics
Odessa, Texas

John S. Reed[4,6]
Retired Chairman of the Board
and Chief Executive Officer
Santa Fe Industries, Inc.
Transportation and Natural
Resources
Chicago, Illinois

William E. Simon[2,4,5]
Chairman of the Board
Wesray Corp.
Investments
Morristown, New Jersey

Edward R. Telling[4,6]
Chairman of the Board,
Chief Executive Officer and
President
Sears, Roebuck and Co.
Retailing, Insurance, Real Estate,
Financial Services and
International Trade
Chicago, Illinois

John L. Weinberg[1,5]
Senior Partner
Goldman, Sachs & Co.
Investment Banking
New York, New York

Arthur W. Woelfle[4,5]
Vice Chairman
Dart & Kraft
and Chairman
Kraft, Inc.
Glenview, Illinois

George G. Zipf[1,3]
Retired President and
Chief Operating Officer
The Babcock & Wilcox Company
and Vice Chairman
J. Ray McDermott & Co., Inc.
Industrial Products
Stuart, Florida

Committees

1. Audit Committee
The Audit Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, recommends selection of the independent auditors; reviews matters pertaining to the audit, systems of internal control, and accounting policies and procedures; has approval authority with respect to services provided by the independent auditors; and directs and supervises investigations into matters within the scope of its duties.

2. Committee on Directors
The Committee on Directors identifies, reviews qualifications of, and recommends candidates for Board membership, and also acts on other matters pertaining to such membership.

3. Employee Benefits Committee
The Employee Benefits Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, makes recommendations to the Board concerning employee benefit plans, and also has certain responsibilities under the Dart & Kraft, Inc. Thrift Plan.

4. Executive Committee
The Executive Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

5. Finance Committee
The Finance Committee reviews and makes recommendations to the Board regarding dividends, financial policies and procedures, and also has the authority to approve various financial transactions.

6. Management Compensation Committee
The Management Compensation Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, directs the administration of various management incentive plans, and takes action on, or recommends to the Board, salary changes for certain management personnel.

**Chairman*

Transfer Agents

Manufacturers Hanover Trust Company
Securityholder Relations Department
P.O. Box 24935
Church Street Station
New York, New York 10249

State Street Bank and Trust Company
Stock Transfer Department
225 Franklin Street
Boston, Massachusetts 02101

Harris Trust and Savings Bank
Corporate Trust Operations
111 West Monroe Street
Chicago, Illinois 60603

Bank of America N.T. & S.A.
Stock Transfer Department
P.O. Box 37002
San Francisco, California 94137

The Royal Trust Company
Stock Transfer Department
630 Dorchester Boulevard West
Montreal 110, Quebec, Canada

Royal Trust Tower
Toronto-Dominion Centre
Toronto 116, Ontario, Canada

***Price Waterhouse**
447 Collins Street
Melbourne, 3001 Victoria
Australia

Registrars

Manufacturers Hanover Trust Company
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago

State Street Bank and Trust Company
Boston

Bank of America N.T. & S.A.
San Francisco

Montreal Trust Company
Montreal and Toronto

***The Wales Nominees (Vic.) Pty. Limited**
Melbourne

Dividend Reinvestment Plan

Shareholders may build their investments in the company through the Dividend Reinvestment and Stock Option Plan. For enrollment information, write to:

Secretary
Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062

Inquiries relating to existing reinvestment accounts should be directed to:

Manufacturers Hanover Trust Company
Dividend Reinvestment Department
P.O. Box 24850
Church Street Station
New York, New York 10249

Stock Exchanges

New York (principal market), Boston, Midwest, Pacific, Montreal, Toronto, *Adelaide, *Brisbane, *Hobart, *Melbourne, *Perth, *Sydney, London, Antwerp, Brussels, Paris, Frankfurt/Main, Amsterdam, Basel, Bern, Geneva, Lausanne, Zurich.

U.S. Trading Symbol: DKI

Auditors

Arthur Andersen & Co.

SEC Form 10-K

The company's Annual Report on Form 10-K, most recently filed with the Securities and Exchange Commission, will be provided without charge upon written request addressed to: Secretary, Dart & Kraft, Inc., 2211 Sanders Road, Northbrook, Illinois 60062

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:30 a.m. on Thursday, May 3, 1984, at The Westin Hotel, North Michigan Avenue at Delaware Street, Chicago, Illinois.

Note: Trademarks on the cover and throughout this report are owned by the company. In the text, trademarks are indicated by the use of italics.

Corporate Office

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(312) 498-8000

*For shares represented by Australian certificates only

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